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INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

COMMITTEE

ON

INDIAN CURRENCY.

109275

At the India Office, S.W.

Ex 9 34

FIRST DAY.

Monday, 23rd May 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN [illegible] Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

SIR JAMES L. MACKAY, K.C.I.E., called and examined.

Sir J. L. Mackay, K.C.I.E.

23 May 1898.

1. (*Chairman.*) You are a member of the Council of Ind[illegible]?—I am.

2. [illegible]nd you have been engaged in business in India for [illegible]ny years?—Yes.

3. [illegible]ou were resident in India for 20 years previ[illegible]s to 1894?—Yes.

4. [illegible]believe, also, you were president of the Bengal Cham[illegible]r of Commerce during the last four years of your [illegible]ay in India, and also you were a member of the V[illegible]eroy's Legislative Council?—That is so.

5. [illegible]hat position did you occupy in India at the time t[illegible] Act was passed in 1893 by which the mints were [illegible]osed?—I was then in business in India. I was p[illegible]sident of the Bengal Chamber of Commerce and a [illegible]ember of the Viceroy's Council.

6. [illegible]t that time you were a member of the Legislative [illegible]Council and also president of the Bengal Cham[illegible]r of Commerce?—I was.

7. [illegible]ill you just tell the Committee what are your views, [illegible]st as to when the currency troubles began in India [illegible]-Indian troubles as regards exchange may be said to [illegible]ave begun with the demonetization of silver by Ger[illegible]any in 1873. Previous to that year, silver had pra[illegible]ically for the previous 40 years never been worth less [illegible]han 60*d.* per ounce, giving an exchange roughly of [illegible]s. per rupee.

8. I gather that the meaning of that remark is that the universal price of silver in India and throughout the world was an average of 60*d.* per ounce prior to 1873?—Practically.

9. And that the exchange value of the rupee was more or less 2*s.*?—More or less 2*s.*

10. Could you say how low it would be?—I think it went from 1*s.* 10½*d.* to 2*s.* 2*d.* or 2*s.* 3*d.*; it would have been 2*s.* 3*d.* at times of pressure.

11. What minimum would there be?—A minimum of 1*s.* 10*d.* to 1*s.* 10½*d.* previous to 1873.

12. Had there been no greater variation until 1873?—No. Between 1872 and 1881 silver steadily fell from 60*d.* to about 51*d.* per ounce, and the question was assuming such a serious aspect that a conference was held in Paris in 1881 to consider the advisability of re-establishing bimetallism, but it separated without coming to any conclusion.

13. During the period that it went from 60*d.* to about 51*d.* per ounce, can you tell us what the variation of the value of the rupee was, or rather what was its fall?—I will put that information in.

14. Very well. Now we will assume for this purpose that the rupee went down also?—It fell with silver.

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15. In the same proportion?—In the same proportion as silver. Meantime, with the object of trying to support the price of silver, the Bland Act had been passed in America in 1878, under which the United States Government were obliged to purchase and coin two to four million dollars' worth of silver every month. Under this Act the minimum quantity only was purchased. The operation of this Act appears to have slightly steadied silver for a year or two at about 51*d.* per ounce, but the price then began to fall away again, and early in 1886 it had fallen so much (namely, to 47*d.* per ounce) that the President of the United States recommended the suspension of the Act. Thereupon the price fell away very rapidly until it reached 42*d.* per ounce in July of the same year. Between July 1886 and October 1889 the price ranged from 42*d.* to 47*d.* per ounce, the price in October 1889 being 42*d.* About this time an agitation was started in America in favour of free coinage of silver, and the prospects that the silver party would be sufficiently strong to carry the day led to the price of silver running up between October 1889 and September 1890 from 42*d.* per ounce to something over 54*d.* per ounce. The agitation in favour of silver culminated in the passing of the Sherman Act in July 1890, which provided for the purchase by the United States Government of 4½ million ounces of silver per month, or 54 million ounces annually. But the output of silver continued to overstep even this off-take—it rose from 91,609,959 ounces in 1885 to 165,472,621 ounces in 1893, and from the time of the passing of the Sherman Act until March 1893 the price had fallen from 54*d.* to 37*d.* per ounce.

16. Does that in any way suggest to your mind that the fall in the price of silver arose from the output as much as from the demonetization of silver in Germany?—The demonetization of silver in Germany took place in 1873, of course, and this fall took place as late as 1890 and 1893, and in the meantime Germany had suspended her sales of silver some years before.

17. But assuming that Germany had not demonetized silver in 1873, do you think that the production of silver—the increased production of 1873 to 1893—would have affected the price?—If Germany had not demonetized her silver, and the Latin Union had kept their mints open, I think it is not at all improbable that silver would have been maintained at something like 60*d.* per ounce. That, of course, is a question.

18. Do you think there would have been an increased demand which would have been equivalent to the increased supply?—That might have been so; but, of course, that is a matter of argument.

19. (*Sir David Barbour.*) It would have been a very important matter if the United States had made no change?—Undoubtedly that would be so.

20. (*Chairman.*) You have now brought the matter up to March 1893, when the price was 37*d.* per ounce?—That is so.

21. Now what was the exchange value of the rupee in March 1893?—Something like 1*s.* 4*d.*, I think.

22. In 1893 I think it was 1*s.* 2½*d.*?—I should have to refer to the figures. I think it was 1*s.* 2½*d.* in 1893; that is the equivalent of 37*d.*

23. Now, will you give the Committee the history, so far as your knowledge of it in India was concerned, of the proposal to close the Indian mints?—In the beginning of 1892 the Bengal Chamber of Commerce drew the attention of the Government of India to the fluctuations in exchange with special reference to the fact that an invitation had been sent by the United States to the different powers in Europe suggesting a conference for the consideration of the monetary question. The Chamber of Commerce urged that the Government of India should promote an international agreement for the free coinage of gold and silver at a fixed ratio, and that failing any such agreement steps should be taken to consider carefully the question of introducing a gold standard into India. The Government of India "practically adopted" the Chamber's views, and on sending them forward to the Home Government recommended that, if an International Conference were proposed, strong support should be given to the proposal, and that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States could not be made, the Indian mints should be closed to the free coinage of silver with a view to the introduction of a gold standard. In the autumn of 1892 the International Conference was duly held, but it broke up without arriving at a satisfactory conclusion, and no separate agreement between India and the United States was made.

24. Then at that time, in the autumn of 1892, the two contingencies which the Indian Government contemplated with reference to either arriving at a satisfactory conclusion by an international agreement or entering into a formal agreement with the United States had failed?—Yes.

25. And thereupon the situation in the autumn of 1892 was this: no international agreement had been arrived at, no separate agreement between India and the United States had been arrived at, and then the proposal of the Indian Government and the Home Government was a gold standard?—That a gold standard should be considered.

26. Your words are "with a view to the introduction of a gold standard." Then before we pass from that period—the autumn of 1892—was the matter considered again by the Bengal Chamber of Commerce?—No. In the meantime and before the International Conference met, Lord Herschell's Committee was appointed to advise whether it was expedient that any steps should be taken to modify the Indian Currency Act.

27. But what I mean is, before Lord Herschell's Committee, was there any communication between the Government of India and the Bengal Chamber of Commerce with reference to the then situation and the adoption of the policy of the closing of the mints?—I think not. Lord Herschell's Committee was appointed before the International Conference was formed.

28. Is that so?—Yes.

29. The International Conference was appointed in the autumn of 1892. What was the date of Lord Herschell's Committee?—That was also in the autumn of 1892. Lord Herschell's Committee was appointed in October 1892. The Committee met and adjourned, and then the International Conference was held in Brussels.

30. After the appointment of Lord Herschell's Committee?—After the appointment of that Committee.

31. Then did the Committee take its evidence after the International Conference had sat?—The Committee took a lot of evidence before the Conference was held; then the Committee adjourned and took further evidence after the Conference had broken up.

32. Now, will you tell us what were the questions referred to Lord Herschell's Committee?—I am not sure that I have the exact wording here.

The Secretary read the opening words of the Report of Lord Herschell's Committee which were as follows:—

"The question referred to the Committee by your Lordship is, whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we

are asked to offer any suggestion that we think fit for the purpose?]

33. There as we are aware, the Committee came to the conclusion that, although there were objections to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, the Committee recommended that this course should be ultimately adopted?—That is so.

34. Was there not one modification of the Government of India's proposals made by the Committee?—They proposed that instead of the Government taking power to declare the sovereign to be a legal tender, at a fixed rate, not exceeding 1*s.* 6*d.*, the result of closing the mints should be awaited.

35. The Government of India proposed that the Government should declare the sovereign to be a legal tender at a fixed rate, not exceeding 1*s.* 6*d.* The Committee were not prepared to recommend that, but they did recommend that the result of the closing of the mints should be awaited?—That is right.

36. And that the Government of India should be guided by the experience thus obtained in deciding on future action?—That is so.

37. Did not the Committee take a step—not unanimously—with a view of checking any sudden or considerable rise in exchange?—With the view of checking a sudden or considerable rise in exchange, which might have injurious consequences and excite apprehension in the public mind, the Committee recommended that as soon as the mints were closed to silver, arrangements should be made for the issue of rupees in the Indian mints in exchange for gold at the rate of 1*s.* 4*d.* per rupee, and for the receipt of sovereigns at the Indian treasuries in payment of Government dues at the rate of 1 for 15 rupees.

38. When those proposals were sent out from here to India, was there any communication between the Government of India and the Bengal Chamber of Commerce or any other mercantile association?—No, none whatever.

39. Were the mercantile bodies aware of the course which the Home Government were proposing to adopt?—No, it was kept secret altogether.

40. When was the first intimation that the mercantile people in India had of the policy that was proposed by the Government?—The first authentic intimation they had was the passing of the Bill.

41. There was no previous announcement?—There was an announcement made in the home papers—it had leaked out in England what the proposal of Lord Herschell's Committee was, and what would probably be the proposal of the Government, but there was nothing authentic until the Bill was brought into the Legislative Council in Simla.

42. When was that Bill introduced?—It was introduced on the 26th June and passed the same day. The orders were suspended.

43. The Bill was passed at Simla on the same day?—Yes.

44. What was the general opinion in India, so far as you are aware of it, when that announcement was made?—Opinion was divided; there were a great many people in India who were in favour of the closing of the mints and there was a considerable opposition to the closing of the mints.

45. Could you give us an idea as to the strength of that opinion on either side or both sides? Will you tell me first what do you think was the opinion of the Bengal Chamber of Commerce?—The opinion of the Bengal Chamber of Commerce was somewhat divided.

46. Your being the president, what should you think the greater weight of opinion in the Bengal Chamber of Commerce was?—I am inclined to think that the opinion was evenly divided—about as many in favour as there were against.

47. Would that remark be applicable to Madras?—I think Madras opinion was more opposed to it.

48. For a moment, divesting yourself of your character as President of the Bengal Chamber of Commerce, and speaking as head of a mercantile house in India, what was your own opinion?—I was strongly in favour of closing the mints with the object of getting a stable exchange between India and England. I was very strongly in favour of it.

49. Then did you contemplate the early, or not very far distant, introduction of a gold standard?—I contemplated that that would follow in due course.

(*Sir John Muir.*) May the witness tell us about the feeling of Bombay?

50. (*Chairman.*) What was the feeling in Bombay?—I rather think the feeling in Bombay was pretty well divided, probably it was as much against as in favour of it.

51. Who was then president of the Bombay Chamber of Commerce?—I rather think it was Mr. Symons, I am not quite sure.

52. But no public action was taken by either of the Chambers of Commerce, either adverse to or in favour of the Government?—Yes, there were some objections taken; there were some memorials addressed to the Government against the proposal. One I remember was from the planters of Southern India. They were very strongly opposed to the closing of the mints.

53. At that time when the mints were closed, the rupee had about reached its lowest, had it not—I mean in June 1893?—The day the mints were closed exchange went to about 1*s.* 4*d.*

54. But had not the Secretary of State, prior to the closing of the mints, for some time previously, stopped the sale of bills?—No, they went on selling Council Bills up to the last moment.

55. Up to June 1893?—Up to June 1893.

56. Then when did they stop the sale of bills?—They stopped the sale of bills—I think it was very much in deference to the representations from India—from about June or July to November 1893.

57. Then you say the planters of Southern India were the first, or were the prominent, persons in objecting to the proposals of the Government?—They were.

58. They being interested entirely in export trade?—In tea and coffee.

59. Not indigo?—Not indigo; there is none grown in Southern India, or at least not much, there is a little grown in Madras.

60. Now you summarise for us (and we are very much obliged to you) "thirteen objections to the "very serious and far-reaching proposal to close the "Indian mints to silver and to adopt a gold standard "in India." We will have those altogether here on the notes, and then the Committee can examine you upon them.

(*The following is the Witness's summary.*)

"1. That the mass of silver currency in India was too large to admit of the rupee becoming a mere token, and that it would continue to follow in exchange the price of silver.

"2. That the closing of the Indian mints would lower the price of silver, and that the natives of India, who are large possessors of silver in the shape of ornaments, would suffer thereby, and also by not being permitted to coin their silver into rupees when they desired to do so political trouble would arise.

"3. That the export trade of India was favoured by a low or declining exchange, and that it would injure it to arrest the fall.

"4. That the Government revenue from railways and canals would greatly decrease.

"5. That the balance of trade would go against India if the rupee were prevented from falling with silver.

"6. That, if the rupee were maintained in exchange above the price of silver, illicit coining would become rife, and the country would be flooded with false rupees of proper weight and fineness, and thus the rupee would sink to silver level.

"7. That it would create a vague feeling of discontent in the country.

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"8. It would give Government the power of coinage, instead of letting coinage be automatically adjusted, and Government might manipulate the currency for its own purposes.

"9. That Indian manufactures would suffer and Bombay mills would be ruined.

"10. That Indian yarn would cease to be exported to China altogether, and the rice trade from Burma would be handicapped as compared with that from Cochin China and Siam.

"11. That Indian raw cotton would be handicapped in competition with American cotton, and would probably cease to go to China altogether.

"12. That it would interfere with the internal trade of the country.

"13. That the tea industry in India would suffer"

The first objection you state here is: "That the "mass of silver currency in India was too large to "admit of the rupee becoming a mere token, and "that it would continue to follow in exchange the "price of silver." Will you please tell us, rather more in detail, what the meaning of that objection was?—The objection, I take it, put forward by certain of those who objected to the closing of the mints was that they felt sure that the rupee currency was so great that it would be impossible to maintain it above its intrinsic value; and that not only the rupee currency in the country, but also the amount that was held in hoards, would make it impossible for the rupee ever to be above its intrinsic value.

61. Was there any authoritative expression of opinion put forward anywhere in India as regards the mass of rupee currency?—I think the only estimate of it was that which was made by Mr. Harrison.

62. What was his estimate?—I forget the figures, but it was about 115 to 120 crores, I think.

63. Did the Finance Minister, when making his statement in Council, take note of this question as to the amount of currency, and did he give any figures about it?—Yes, I think he quoted Mr. Harrison's estimate.

64. From 115 to 120 crores?—I think that was it.

65. Then this objection was based upon the theory that the rupee would become token money?—That it would be impossible to make the rupee a token circulating above its intrinsic value.

66. But the objection was that it was too large to become token money?—The objection was that it was too large to become token money.

67. But the question of the rupee becoming token money would not arise unless the gold standard was adopted?—Well, we have not quite got to the gold standard yet. The gold standard is not effective.

68. But I mean would that have any effect upon the objection which you mention?—I think there was very considerable weight in the objection. There is no question there was a certain amount of doubt as to whether it would be possible; in view of this enormous mass of currency in India, it was doubtful whether we should ever be able to have the rupee circulating at 1*s.* 4*d.* instead of at its intrinsic value.

69. You say, that it was objected that "The "mass of silver currency in India was too large to "admit of the rupee becoming a mere token, and "that it would continue to follow in exchange the price "of silver." Was that assumed to be the sequence even if no gold standard was adopted?—It was assumed that any attempt to keep the circulation value of the rupee above its intrinsic value would fail.

70. That is another way of stating that the mass of currency was so large that no alteration of value, even the introduction of a gold standard, would affect the exchange value of the rupee?—That is so.

71. What was your opinion of that objection at that time?—I had my doubts as to it, too, I must admit. It was a very serious question.

72. It was a well-founded objection in your judgment?—I think it was a well-founded objection.

73. But there were doubts about it?—Yes.

74. And those were doubts that could only be solved by experience?—Only by experience.

75. Now, what was the immediate effect of the closing of the mints upon the intrinsic value of silver?—Practically silver fell. In 1893 the intrinsic value of the rupee went down to 11$\frac{1}{16}$*d.*

76. What was the exchange value of the rupee during that time?—From 1893 the exchange value of the rupee was something like 1*s.* 2$\frac{1}{2}$*d.*

77. Then in the very next year after the closing of the mints the objection did not hold good; it did not follow in exchange?—It did not quite follow.

78. But is not there a very large difference?—There were times when they were bought close together.

79. Now let me come to the next year. In 1894 silver fell further, so that the intrinsic value of the rupee went down to 10*d.*?—Yes.

80. What was the exchange value of the rupee in 1894?—1*s.* 1*d.*

81. There was a divergence of 3*d.*—Yes.

82. Then the next year, 1895, the intrinsic value remaining at 10*d.*, what was the exchange value?—The exchange value rose to 1*s.* 1$\frac{5}{16}$*d.*

83. Then we come to 1896, and I suppose we must take that as being disturbed by famine considerations?—To some extent.

84. I suppose it would more affect the exports and imports than the exchange value of the rupee?—Well, it is very doubtful. No doubt the famine might to some extent have raised the exchange. On the other hand, if we had had a very large export season we should probably have had a higher exchange.

85. The intrinsic value of the rupee in 1896 was 10$\frac{3}{4}$*d.* and the exchange value was 1*s.* $\frac{1}{2}$*d.*?—That is so.

86. In last year, 1897, the intrinsic value had gone down to about 9*d.*?—Yes, and at the same time the exchange value of the rupee was 1*s.* $\frac{1}{2}$*d.*

87. Now, in face of that experience between August and July 1893 and December 1897, what is your opinion of that objection?—I think it has been fairly well demonstrated that it is possible to have the rupee circulating at a higher level than its intrinsic value.

88. Even without a gold standard?—Even without a gold standard. Even without a gold standard being effective, that is to say; even although the Government is not prepared to make it convertible; even though the Government is not prepared to give gold in exchange for rupees, still we have before us the fact that the rupee is worth over 1*s.* 4*d.*, and that the intrinsic value of the rupee is only something between 8*d.* and 10*d.*

89. Am I right in saying that that would tend to show that the action of the Government in limiting the number of rupees in circulation had the effect of raising their exchange value totally irrespective of their intrinsic value?—Undoubtedly, through stopping the free coinage of silver.

90. In other words, it would require fewer rupees in silver to supply the same quantity of gold?—Yes.

91. (*Sir Francis Mowatt.*) As regards the first of these objections—the rupee has not become a token of the present moment?—I should say that has. I should say that the rupee is a token coin because it circulates at a value very much higher than its intrinsic value. That is why I should say it is a token coin.

92. Has that been effected by the restriction of the number?—Very considerably.

93. (*Sir David Barbour.*) It is in fact perfectly clear that the rupee can be kept at a definite value to that which you call its intrinsic value? That is absolutely certain, is it not?—I should say that is absolutely certain.

94. And that has been the result of closing the mints?—No doubt.

95. Not merely the result of limiting the rupee coinage, but the general result of closing the mints?—That is so.

96. Which has, of course, affected the import of silver?—Yes.

97. A reduction in the import of silver helps to keep up the exchange, and any such reduction is a consequence of the closing of the mints to silver?—No doubt.

98. (*Sir Alfred Dent.*) You say that the rupee is a token now. That is, of course, only so long as the exchange is kept up to this high level?—So long as the rupee circulates at a value above its intrinsic value, I take it, it is a token coin in the same way as the shilling in this country and the copper coins.

99. Though it has the exchangeable value of 1*s.* 4$\frac{1}{32}$*d.* as it had in 1897, which is purely artificial?—You can sell every rupee you have got at the present moment for something over 1*s.* 4*d.*, therefore, it is exchangeable for something over 1*s.* 4*d.*

100. (*Mr. Holland.*) I should like to inquire whether or not you attribute to the closing of the mints the present favourable rate of exchange?—Undoubtedly.

101. But you admit, do you not, that there are other factors that do affect the rate of exchange very materially. For instance, such a question as the balance of trade has something to do with it apart altogether from the closing of the mints?—The balance of trade and the closing of the mints together. If the balance of trade were to go materially against India, even with the mints closed, we might see a different rate of exchange.

102. It would be affected then by such questions as good and bad harvests?—Undoubtedly.

103. And the question of borrowing gold in London?—Undoubtedly.

104. And such a question as the offering of fewer Councils Bills would also affect the rate of exchange?—To some extent, no doubt.

105. So that it could hardly be said that the closing of the mints is itself the sole factor in securing this favourable rate of exchange?—No, it could not be said that it was the sole factor.

106. These other factors that I have referred to would also affect it?—Undoubtedly.

107. (*Mr. Campbell.*) Do you think a coin can be called a mere token when it is legal tender to any extent?—I think so. I should say it is a token if it is of more value than its intrinsic value. Of course, that is a matter of argument.

(*Mr. Hambro.*) Why do you consider it a token, seeing that it is not like a shilling which is a token of the twentieth part of a sovereign.

(*Mr. Campbell.*) It is a legal tender to any extent.

(*Mr. Hambro.*) You cannot call it a mere token when it is not a legal tender or token for something.

(*Witness.*) Well, that is an academic question, I think.

108. (*Mr. Le Marchant.*) I rather understood the effect of the last question to be this: that the rupee is approaching to the position of a token coin. If it is exchangeable for 1*s.* 4*d.* effectively, so that there are 15 to the sovereign, then to that extent it fulfils the definition of a token in that particular way; that is to say, as the shilling would represent one-twentieth of a sovereign the rupee would represent one-fifteenth of a sovereign, assuming that that is your definition of a token?—I would rather put it this way; that a coin circulating materially above its intrinsic value cannot be regarded other than as a token. If the rupee is worth at the present moment 1*s.* 4*d.*, and you melt it down and can only get 10*d.* for it, and you can discharge a 1*s.* 4*d.* obligation with it, I should say that it is very much like a token.

109. Might I ask one question with regard to the mass of rupees? It was anticipated that the mass of currency was such as to prevent the rupee rising to, I will say, 1*s.* 4*d.*; to a certain extent that anticipation was justified for a time, was it not? Do you attribute that to rupees coming out that had been boarded—to rupees coming into circulation that had not been in active circulation?—I think there is some evidence that rupees came back to some extent from foreign countries after the closing of the mints, but these found their way out again. I should attribute it more to the fact that the currency was redundant at the time.

110. (*Chairman.*) What I understand you to say is this. Taking it in round figures at 1*s.* 4*d.*, the present rate of exchange, 15 rupees will buy a sovereign in London; if the purchase had to be made with the intrinsic value of the rupee, 15 rupees would only buy about 12*s.*?—That is so.

111. Therefore, whether the rupee is called a token or by any other name, the effect of the action of the Government is to raise the exchange value of the rupee in gold?—Practically, I should say that is so.

112. Now, has there been any difference in the internal value of the rupee? Of course, all your evidence up to the present has been directed purely to the exchange value of the rupee. I ask you now, how has it been affected in India itself?—The value of the rupee internally, in relation to commodities, do you mean?

113. Yes?—Well, it is very difficult to say if there is any difference. Prices rise and fall in India altogether irrespective of the currency. You may have a good harvest in one part of the country and a bad harvest in another part, which may lead to a rise in the price of commodities. Therefore, so far as my judgment goes, I should say that internal prices have not so far been so much affected by the difference between intrinsic value and the exchangeable value of the rupee.

114. That is to say that, for the purpose of buying commodities in India—subject, of course, to that price being affected by the law of supply and demand for the time being or by local causes—so far as money is concerned, the rise in the exchange value to 16*d.* has had no appreciable effect on the value of the rupee through its internal circulation, either in depressing it or raising it?—I should say, on the whole, it has not so far. In one or two cases, no doubt, it has had some effect.

115. Let us take two or three cases. Has it affected wages generally throughout India?—You mean, has it lowered wages?

116. Has it lowered wages?—I should say it has not lowered wages.

117. Has it raised wages?—No; wages, I think, are practically the same as they were in 1893.

118. And the same in reference to the price of commodities which form the great bulk of the people's consumption?—I should think so. I do not think it has had very much effect upon prices so far. I should like to say, if I might, that I believe it has had an effect on the price of opium.

119. By lowering the price of opium?—Yes, it has lowered the sale price of opium. I believe it has done that. The price of opium is lower now than it has been. It has been almost as low before, I think, as about 973 rupees or 974 rupees a chest, and it has been as low before as 970 rupees a good many years ago. But opium being sold in China and paid for in silver, the fall in the value of silver has tended to force down the rupee price of opium. But there are many other causes affecting the price of opium.

120. But when I was Secretary of State, I think the price reached 1,400 rupees per chest, and that was at the time when the rupee was at its worst?—Yes, there has been a material decline. The rupee having been at 1*s.* 4*d.*, and the intrinsic value of the rupee, by which, to some extent, the price of opium is governed, having gone down to 10*d.*, there has been a material fall in the price of opium.

121. I think you said that there has been a considerable reduction in the imports of silver?—Yes.

122. Has there been a considerable fall lately in the amount of silver imported into India?—There has.

123. (*Lord Balfour of Burleigh.*) Can you account in any way for the fact which you state here that opium of all commodities is the one the price of which has been affected?—Opium is entirely consumed in China, and China being on a silver basis

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the purchasing power of silver having gone down materially, the rupee price of opium has to some extent been forced down thereby. Practically the whole opium crop is consumed in China and the Straits; there is a little goes to Java, but not very much.

124. (*Sir Charles Crosthwaite.*) You say you do not think the price of commodities has been affected?—I think it is very difficult to say that prices of commodities have been materially affected.

125. If you only mean that it is difficult to say, I have nothing further to ask you; but if you say that they have not been affected, I should like to ask you another question?—Well, it is impossible to say that they have been affected by the closing of the mints.

126. In answer to a question by the Chairman, I understood you to say that fewer rupees would now buy the same quantity of goods?—Fewer rupees will buy the same quantity of English goods.

127. Only English goods?—I should say so.

128. Then I should like to ask you why you think that a merchant here would pay more for the rupee if he is not to get more Indian produce with that rupee. How could he afford to pay 1*s.* 4*d.* if he only gets the same quantity of Indian produce as he got before when he only paid 1*s.* 1*d.*?—Prices on this side may have responded. Wheat, for instance, has gone up from 20*s.* a quarter to 50*s.*

129. But supposing the gold price had remained constant?—The gold price remaining constant, there would naturally be a tendency to lower either the price of commodities, the price of English exports, or the cost of transportation.

130. Do you admit that the gold price remaining constant, an artificial rise caused in the value of the rupee by the closing of the mints must tend to have an effect on the price of Indian produce?—I should like to say that the artificial rise that has taken place has been very slight.

131. But, given that it is slight, however slight it may be, *pro tanto*, there ought to be some effect?—Undoubtedly there would be. Within six months previous to the closing of the mints we had exchange at about 1*s.* 4*d.*; so that there has not been a very large adjustment to take place.

132. When you answer these questions are you speaking of your own knowledge? Have you been in India lately?—Oh yes.

133. Have you been dealing with producers there?—I have been associating with them constantly.

134. But have you actually been buying produce in India?—I am speaking of my experience when I was resident in India and doing business there.

135. Have you lived in the interior of India at all?—My time has been mainly spent in Calcutta and Bombay.

136. Have you had dealings with the cultivators?—Yes, indirectly.

137. In the evidence that you gave before Lord Herschell's Committee I understand you to hold that the rupee has given no larger returns apparently to the cultivators of India; that is to say, the fall in the value of the rupee did not give them more rupees for their produce?—I think that is so because during the last 20 years there has been practically a constant fall in the value of commodities, so that though the rupee went on falling, practically the cultivators were getting no more.

138. And now you think it would be unwise to go on raising the rupee?—I think it would be a great mistake to attempt to raise the rupee very much. I do not think it would be desirable to go on raising the rupee above 1*s.* 4*d.*

139. What I wanted to find out was whether you held that this sort of fluctuation in the rupee has no effect on the price of products in India to the producer. You said that the low rupee does not give larger returns to the cultivator in India?—I think on the whole the low rupee did not give very much larger returns to the cultivator. I think about the time time that mints were closed, about 1893, there was a slight tendency for the rupee price to rise, but up to then I think that practically the producer in India had got no higher prices for his produce, despite the fall in the exchange value of the rupee from 2*s.* to 1*s.* 4*d.*

140. (*Chairman.*) You think the merchant got it?—No; I think that owing to the fall in gold prices all over the world there had to be an adjustment made.

141. (*Sir David Barbour.*) I understand you to say that, as compared with what was the case in former years, the producer who lived under a gold standard got a lower price immediately before 1893 than the producer who lived under a silver standard got?—Yes, I think so.

142. (*Chairman.*) Are not the bulk of the contracts for Indian produce which are sold in London always made on a gold basis?—The seller, say of wheat, in Calcutta gets an offer of so much per quarter in shillings for wheat delivered ex ship in London, and if he fixes his rupee price, his insurance, and his freight, to enable him to get the operation through at sterling value in London, the operation goes through.

143. Then supposing that the sterling rate was taken on the basis of 15 rupees to the sovereign, that would mean one price in Calcutta, and suppose the exchange were the other way and it was taken at 20 rupees, still the price would be the same, but the exchange value would vary, is that so?—The gold price would vary.

144. (*Sir John Muir.*) But the native would receive a much larger price for his wheat?—Naturally one would think so if the price was constant; but if the exchange fell, you would find the price in London would fall, too. It would be the same if freights fell.

145. (*Mr. Campbell.*) Is that necessarily so?—That is the case. If wheat is being offered from Calcutta at, say, 45*s.* a quarter on the basis of an exchange of 1*s.* 4*d.*, and on the basis of a freight of 35*s.*, and if then the freight falls 5*s.* per ton the purchaser in Mark Lane or Mincing Lane knows just as well as the man in Calcutta that freights have fallen, and he immediately lowers his buying price; but if exchange falls from 1*s.* 4*d.* to 1*s.* 2*d.* he will lower his buying price, too.

146. (*Sir John Muir.*) I understand the question put to you by the Chairman was, supposing the rupees should be 20 instead of 15, that naturally would give a great advantage to the native producer?—Not necessarily.

147. (*Sir David Barbour.*) It would, other things being equal?—Other things being equal, but I should say that as a shipowner, if I saw a reduction in exchange from 1*s.* 4*d.* to 1*s.* 2*d.*, and I had been quoting 30*s.* for a certain freight, I should then demand quite 40*s.* But things do not remain constant.

148. (*Lord Balfour of Burleigh.*) But surely whether you could get 40*s.* instead of 30*s.* for your freight would depend on whether some other ship were waiting to take the same cargo, would it not irrespective of exchange?—Not quite: because other shipowners would do the same as I did.

149. (*Sir David Barbour.*) If exchange fell, you might expect that more produce would come forward and you would be in a position to ask for a higher rate?—That is the point.

150. (*Chairman.*) Assuming, as we must for the purposes of the argument, that everything is equal, that there is the same rate of freight, and everything is precisely the same, but that the sovereign is worth 15 on one day, as Sir David Barbour put it, 20 rupees, and on another day 15 rupees, how would that affect the price of produce?—Assuming that the seller in India was content to take the same profit and to hand over any excess of profit to the cultivator, no doubt, the cultivator would get it.

151. But assuming that he tried to intercept it?—Then the cultivator would certainly not get it.

152. (*Mr. Hambro.*) In your evidence before the Herschell Committee in 1892, at Question 1069, you say, "I should say the fall in exchange has not "stimulated the trade between India and gold-using "countries. It may be that there has been what I "might call an illegitimate stimulus given to trade "between Bombay and China through the depreciation "of the standard of value in India in competing with "Lancashire." Would not that necessarily apply all round?—It would scarcely answer, would it, in dealing with gold countries.

153. But when you said that the price of opium had fallen so much, I was wondering whether that was not the reason—that the low exchange would act in the way of a stimulus to all exports?—I think a declining exchange certainly does for the moment stimulate exports. I have always held so.

154. And a rising exchange would do the opposite?—That would check them.

155. (*Chairman.*) You say that the low price of exchange would stimulate exports for the moment?—For the moment it would appear to stimulate them; but I do not think that that applies to the bulk of exports. It would do it in this way. A man may be putting through a transaction and may find it difficult to bring the buyer and seller together; then, if he can get a difference of exchange of even a farthing or a halfpenny, that would enable him to put that business through. It gives him that stimulus.

156. Now we will come to the second objection; "That the closing of the Indian mints would lower "the price of silver, and that the natives of India who "are large possessors of silver in the shape of "ornaments would suffer thereby, and also by not "being permitted to coin their silver into rupees when "they desired to do so, and that political trouble "would arise." What have you to say upon that objection?—As to that, I can only say that there is no discontent among the natives of India.

157. But what do you say as to the first clause, "That the closing of the Indian mints would lower "the price of silver"? Since the closing of the Indian mints the price has been less?—Undoubtedly.

158. It has not affected the price of ornaments?—It has lowered the price of ornaments, too.

159. In the bazaars?—Undoubtedly, silver ornaments are now much cheaper than they were.

160. Prior to the closing of the mints, of course, they could turn their silver into rupees at their intrinsic value, and they cannot do that now?—No, they cannot.

161. What is your opinion as to the effect of that generally on the natives of India?—The anticipation was that political trouble would arise in consequence of that, and, so far as I have any evidence, no trouble has arisen whatever.

162. What do you say to the statements which have been made in this country that the action of the closing of the mints has been to rob the people of India of a proportion of their property by depriving it of its convertible character?—There can be no question whatever that the closing of the mints has deprived the people of the power of converting their ornaments into rupees; but I am not aware that people want to convert their ornaments into rupees except to sell them.

163. Although the practice did prevail to some extent, you do not think that it was a universal practice, the constant taking of ornaments to the mints to be coined?—I think the figures show that there were very few ornaments taken to the mints. In times of famine, I believe, some have been taken.

164. (*Sir John Muir.*) Is it not the fact that the natives of India regarded these ornaments as more or less an available asset when the mints were opened for coinage?—I do not think the natives of India knew that the mints were open for coinage at all.

165.—(*Sir David Barbour.*) They sell them in the bazaars?—Exactly. A woman having a bangle or an anklet or a nose-ring, if she wishes to realise on it, will sell it to the silversmith in the bazaar. She does not know there is such a thing as a mint.

166. And when ornaments come to the mint they come in considerable quantity. The articles are collected by somebody who sends a quantity to the mint?—Exactly.

167. (*Sir John Muir.*) Still, it comes to the same thing. When they could get these articles from the bazaar into the mint, it enabled them to convert their bangles and so on into silver?—And they can still do that.

168. But if the bangles do not fetch the same price, is not that a depreciation of their value to the owner?—Undoubtedly. The value of ornaments is less than it was before, owing to the price of silver. There is no doubt about that.

169. Anybody bringing his ornaments to the Bombay mint would now get 30 per cent. less value?—But as one of the members of the Committee pointed out, the owner of the bangle does not take it direct to the mint himself.

170. But, however it gets to the mint, whether he takes it himself or it goes to the mint with a lot of other articles, 30 per cent. less is given for it?—To begin with, suppose that before the closing of the mints a bangle cost five rupees, the intrinsic value of that bangle would probably not be more than 3r. 4a., or 3 r. 8 a. There is the labour of making the bangle.

171. But before the closing of the mints, when he brought the bangle to the mint, or when it got there through anybody else with other articles, he got pretty nearly the same number of rupees that it cost. At any rate, leaving out of the question the cost of labour, he got weight for weight the silver the bangle contained?—Suppose a man buys a made bangle for five rupees——

172. But whatever the cost of the bangle, he could take it to the mint and get weight for weight for the silver in it?—If he gives five rupees for it, the intrinsic value may not be more than 3 r. 8 a. or 3 r. 12 a.

173. But if its intrinsic value was five rupees, he would get five rupees of silver for it?—Yes.

174. Now instead of that he gets 30 per cent. less?—On the other hand, for a bangle that he previously paid five rupees for he would now probably only pay 3 r. 8 a.

175. But I am talking of his old savings, articles he has had from some time before the closing of the mints?—His savings in bangles you mean?

176. In bangles?—Undoubtedly they have gone down in value. They also, of course, had gone down in gold value 30 per cent. before.

(*Sir David Barbour.*) There are, of course, a great many bangles and other silver ornaments that are sold that never go to the mints. I think it is only in Bombay that they are sent to the mint, or that it has only been to the Bombay mint that they have been tendered.

177. (*Chairman.*) However, we may take it that you are of opinion that practically no feeling has been aroused on the part of the natives of India who are possessors of silver in the shape of ornaments because of the closing of the mints?—That is so.

178. (*Sir John Muir.*) Was there not a petition in Bombay signed by a number of Parsees and Mahommedans and Hindus against the closing of the mints?—I did not hear of it.

179. You do not know that there was that expression of feeling?—No.

180. I have had advices to that effect?—No evidence of a feeling of that kind came to my knowledge, and I went all through India.

181. (*Chairman.*) Now the next objection is "That "the export trade of India was favoured by a low or "declining exchange, and that it would injure it to "arrest its fall." Will you explain the objection, and then will you give us your answer to it?—The objection is stated there. The export trade of India is favoured, they say, by a low or declining exchange.

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182. That is, that more of the products of India would be taken on a declining exchange?—And that it would injure the export trade to arrest the fall.

183. Now what do you say to that?—I answer that by showing that on the exports of private merchandise there has practically been no injury done to the trade of India. I put in the following table:—

EXPORTS of PRIVATE MERCHANDISE from INDIA.

	Rx.		Rx.
1882–83 - -	83,400,865	1890–91 - -	100,135,722
1883–84 - -	88,121,296	1891–92 - -	108,036,010
1884–85 - -	83,200,528	1892–93 - -	106,535,997
1885–86 - -	83, 27,840	1893–94 - -	106,447,590
1886–87 - -	88,428,660	1894–95 - -	108,814,999
1887–88 - -	90,471,462	1895–96 - -	114,263,140
1888–89 - -	96,978,171	*1896–97 - -	103,914,297
1889–90 - -	103,396,862	*1897–98 - -	97,530,672

* Famine years.

184. Was there a general impression among the mercantile classes in India prior to the closing of the mints that injury to the export trade was certain to follow?—I think so.

185. Was that one of the objections that would weigh in India?—Yes. There is no doubt that there are a great many of the export houses in India who do favour a low and declining exchange. They believe that a low exchange favours exports.

186. Let us take a concrete case: let us take the case of the growers of tea. Would they gain by a low exchange?—On the whole the balance of gain is in favour of the tea growers for a time.

187. But the raising of the value of the rupee would be an advantage to them in respect of the European charges they have to incur?—Yes.

188. Therefore, you do not think there is much advantage in that either way?—No.

189. Your opinion is that the export trade of India has not been injured, or would not be injured, by arresting the fall of the rupee?—I think it would not be injured by the rupee remaining at 1*s.* 4*d.*

190. (*Lord Balfour of Burleigh.*) Referring to your table of exports of private merchandise from India, it is obvious that on the last two years you give, 1896–97 and 1897–98, there is a fall?—That is so.

191. You put an asterisk to each of those years, and describe them as famine years?—Yes.

192. What do you mean us to understand by that?—That there was less to export from India during those years.

193. But do you wish us to understand that that explains the whole of the fall?—Probably, I think. I should attribute it to that.

194. I see you give the figures here in tens of rupees, but for each of them this must be for only parts of each year. What is the date in each of the calendar years of the commencement of your year?—The 1st April to the 31st March.

195. In fact the Imperial financial year?—Yes.

196. When did the famine begin to be be severely felt in 1896?—I think in the cold weather of 1896.

197. Can you give me a date?—About November.

198. Then are you able to say that the whole of this fall which is represented in 1896–97 took place after November of that year? Just let us get this quite clear. You will see that the fall was from Rx. 114,263,140 to Rx. 103,914,297. Have you examined the figures to ascertain that the whole of that fall took place after November 1896?—No, I cannot say that I have done that.

199. If it did not, it is obvious that it would not be owing to the famine?—I think that during practically the whole of 1896 there was considerable scarcity in India.

200. I understood you to say that the famine did not begin to be severely felt till November?—Not severely felt, but practically there was pressure.

201. Even supposing famine began before that, the fact of their being a famine would not begin to show itself until later?—Prices rise immediately.

202. But it would not interfere with the exports of tea, for example?—No.

203. In fact it would not interfere with any exports, except those which were food stuffs?—Yes, it would affect cereals of all sorts.

204. (*Sir David Barbour.*) Seeds and cotton?—Seeds and cotton.

205. (*Lord Balfour of Burleigh.*) Will you oblige us—I do not say now, but at your convenience—by taking the years 1895–96, 1896–97, and 1897–98, and giving us month by month the exports for each month? It must already have been done, to get at this total?—Yes, I will be pleased to get the figures out for you.*

206. (*Sir John Muir.*) I think your argument is that the exports of tea from India have increased?—Yes.

207. But how were those exports to be prevented from increasing; because the estates are being extended, and the amount of tea grown in India has very largely increased? I suppose the returns could not have shown a falling off, unless the tea had not been grown?—My point is this: The 13th objection is "That the tea industry in India would suffer." It was objected on the part of those who were nervous about the closing of the mints that the tea industry in India would suffer, and the figures here are merely put forward to show that apparently the tea industry has not suffered.

* *The witness subsequently handed in the following statement:—*

GROSS EXPORTS of MERCHANDISE from INDIA on PRIVATE ACCOUNT.

Month.	1890–91.	1891–92.	1892–93.	1893–94.	1894–95.	1895–96.	1896–97.	1897–98.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
April - -	11,363,801	10,309,090	10,329,493	10,974,049	10,658,264	9,755,243	9,806,556	7,213,950
May - -	9,937,804	10,161,732	10,568,518	10,531,437	11,042,068	10,086,484	9,127,448	8,096,313
June - -	7,096,678	10,051,772	7,884,891	9,070,358	8,251,468	8,012,267	8,602,857	7,198,737
July - -	7,484,862	8,420,680	6,952,999	6,697,382	8,436,703	8,811,574	7,371,998	7,623,535
August -	6,360,577	6,981,025	6,916,003	6,464,962	7,971,203	7,688,153	7,114,909	7,175,705
September -	6,370,446	8,050,459	7,360,606	7,204,971	7,235,179	7,786,364	7,953,845	6,579,472
October -	6,964,512	8,351,047	7,305,496	7,225,331	8,535,632	9,364,713	8,420,939	7,461,563
November -	7,140,374	6,865,821	8,196,076	8,151,721	7,625,130	8,939,281	8,240,594	8,889,384
December -	8,577,931	8,253,053	9,610,740	8,796,692	8,617,326	10,151,852	8,468,131	8,303,146
January -	9,412,329	9,050,425	9,469,889	10,665,868	10,457,295	10,758,983	8,730,485	9,363,426
February -	8,937,383	10,497,477	9,999,544	9,731,563	10,371,189	11,490,348	9,826,116	9,706,714
March -	10,489,525	11,043,479	11,941,742	10,933,256	9,613,542	11,417,878	10,250,419	9,946,027
Adjustment on account of Errors in Monthly Returns -	—	—	—	—	—	—	—	18,250
Total -	100,135,722	108,036,010	106,535,997	106,447,590	108,814,999	114,263,140	103,914,297	97,539,672

208. Objection No. 3 is, "That the export trade of India was favoured by a low or declining exchange, and that it would injure it to arrest the fall." Now, I have been noticing, and I daresay you have noticed, the tea returns. There is a very general complaint about the returns of the export of tea and the falling off is attributed to the exchange?—I just cut this out from the *Financial News* this morning before I came up: "Thanks to the largely increased outturn of tea "in 1897, 3,526,473 lbs. against 3,025,366 lbs. in "1896, an increase of 501,007 lbs., the Dooars Tea "Company is enabled to declare, for the fourth suc- "cessive year, a dividend equal to 12½ per cent. "Prices in the greater part of the season ruled lower, "the company's tea realising an average of 7·75*d.* per "pound against 8·26*d.* per pound in 1896; while the "further rise in exchange, by increasing the expenses "considerably, reduced the profits. The total acreage "under tea was 6,851 acres in 1897 against 6,662 "acres in 1896, 5,369½ acres being in full bearing "against 5,138½ acres." It seems to me that a company which is able to pay 12½ per cent. is not doing so badly.

209. You will find that as a rule they pay 2½ and 3 per cent. One or two are paying 15 or 20 per cent., but they are excessively well organised and well managed gardens; but the modern gardens I think have almost universally suffered?—Well, I have noticed that the objection is still maintained in some quarters, that an exchange of 1*s.* 4*d.* is too high for India, and that it would be better to have a low exchange—perhaps a 6*d.* exchange. I think that is freely maintained still.

210. (*Sir David Barbour.*) Look at your own figures under this return of "Exports of private merchandise from India." In 1893–94 they are high; in 1894–95 they are high; in 1895–96 they are higher still. Yet in those years the exchange was low?—That is so.

211. Exchange was higher in 1896–97 and 1897–98?—It was.

212. And the strange thing is that with reduced exports the exchange kept rising?—Yes, it is curious.

213. Now as regards the stimulus given by a fall in exchange, I think the argument is, that with the lower exchange more produce is sent out of the country, but of course it is no gain to a country merely to send away more of its produce. If merely more produce goes out, that is a loss to the country, is it not?—Undoubtedly.

214. So that if there is to be a gain in that way to the country as a whole, the fall in exchange must increase the imports too?—Yes.

215. A fall in exchange must increase both the exports and the imports; that is the argument?—Yes.

216. And a rise in exchange would have the opposite effect?—Yes.

217. There is a difficulty if you apply that to England. A fall in the Indian exchange means a rise in the English exchange necessarily. The two things are exactly the same, but looked at from different points of view. And, if you look at the fall in the Indian exchange from the side of England, you have a rise in the English exchange. And by the argument a rise in the English exchange should reduce both the English exports and imports, which are the same as the Indian imports and exports, and thus you have the same operation both increasing and diminishing the international trade, according to the point of view from which you look at it?—That is so.

218. I have never been able to get over that?—No, I cannot get over it.

219. And if the fall in exchange is a good thing for India, have you ever been able to arrive at the limit where the fall ceases to be beneficial?—I think that is where the fallacy of the contention shows itself.

220. Have you ever been able to find the point at which people admitted that a further fall would do no good?—No, I have not. If a shilling is better than 1*s.* 4*d.*, naturally 8*d.* is better than 1*s.*, and 4*d.* is better than 8*d.*, and so you get down to nothing.

221. And so your prosperity would be indefinitely increased if the rupee was worth nothing?—That is so.

222. Now if the exchange was formerly 2*s.* for the rupee, assuming that there is a benefit from the fall in exchange to the producer, he has had that benefit to the extent of 8*d.* out of 2*s.*, which is one-third; do you not think he might reasonably be content with that, and allow other interests to have a chance?—I certainly do think so.

223. (*Sir Charles Crosthwaite.*) It appears to me that the debt of India has to be paid in produce; it must be in exports that it is paid; then if the gold price remains the same, what is the effect of the fall in the rupee, the gold price remaining the same?—What is the effect on what?

224. On the rupee price of produce?—If the gold price remained constant here?

225. Yes, and on the amount that India has to remit to pay her gold debt?—She would not have to remit so much if the gold price were higher.

226. The gold price of produce remaining the same, and the rupee low, India has to remit a certain amount of produce?—Yes.

227. The gold price remaining the same and the rupee higher, would she have to remit more or less produce?—It depends on what her indebtedness is. If she takes the same amount of European goods, she will have to export a larger amount—very much larger.

228. And in the other case?—In the other case I think it is of really very little consequence. The rupee is purely a measure of value.

229. (*Sir Alfred Dent.*) With regard to the figures you gave of "Exports of Private Merchandise," may I ask what "private merchandise" means? Why is the word "private" used?—As against Government merchandise.

230. You mean against opium, and so on?—Against Government stores.

231. Which would include opium?—It would not include opium. It is Government stores, &c. They are always separated.

232. You give several years here, and the last two do not come up to the usual rate of progress. You attribute that to the famine?—Yes.

233. But is it not the fact that up to quite lately the whole of this merchandise had been financed at a very low exchange, and that the 1*s.* 4*d.* rate has not yet began to tell on the exports?—My point rather is this, that the intrinsic value of the rupee is 10*d.* and exchange is 1*s.* 2½*d.*, and still the export trade goes on; and that the divorce of silver or the division between silver and the rupee having been very marked, still the trade of the country goes on as happily as ever.

234. I am thinking rather of the future, and my point is that of late years this trade has been financed at a low rupee, quite regardless of the intrinsic value of it. Now the Indian currency scheme is beginning to tell, and the rupee is put up to 1*s.* 4*d.*, that is beginning to have an effect, and will have an effect in future on the exports of private merchandise?—The value of the rupee last year was about 1*s.* 2½*d.* It would only be a rise of 1½*d.* to 1*s.* 4*d.*

235. Do you think the export trade will be damaged in the future if the rupee is maintained at 1*s.* 4*d.*?—I certainly do not think it will.

236. Whatever may be said about its effect on the tea estates in Ceylon and India, the general effect on exports, you think, will go on?—I think so.

237. (*Mr. Robert Campbell.*) You say that the fear that the export trade of India would be favoured by a low exchange has not been justified. Considering that it is only within the two last years that 1*s.* 4*d.* has ever been touched, and that previous to that the exchange for the three years averaged about 1*s.* 1½*d.*, the effect of the high exchange has never been felt?

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—The objection that was raised to the closing of the Indian mints, and to the free coinage of silver, and to the divorce of the rupee from silver was this: that silver is going very much away from the rupee, and that countries that remained on a silver basis would benefit so much by being on a silver basis, while India was on a gold basis, that it would injure Indian trade. I say that although the rupee has gone down intrinsically to 10*d.*, and though China and other silver-using countries have had the benefit of that fall, still the export trade of India has not suffered.

238. What was in people's mind at the time was that the closing of the mints would establish a 1*s.* 4*d.* rate, which 1*s.* 4*d.* rate would act prejudicially on India's export trade. The result was not what people expected. Instead of exchange rising to 1*s.* 4*d.* it fell at one time as low as 1*s.* 0½*d.* So that what I put to you is this: Is it quite right to say that the predictions as to the effect of a 1*s.* 4*d.* rate on export trade have not been verified, when in point of fact the rate never reached 1*s.* 4*d.* at all; the only time when the rate reached 1*s.* 4*d.* was in the two last years referred to by Lord Balfour of Burleigh, when there was a very heavy reduction in Council Bills?—I will put in the following table, showing the difference between the rates of exchange with India and the intrinsic value of the rupee:—

Year.	Lowest Price of Silver.	Intrinsic Value of the Rupee.	Exchange Value of the Rupee.
	s. d.	*s. d.*	*s. d.*
1893	2 9	0 11$\frac{2}{5}$	1 2$\frac{1}{4}$
1894	2 3	0 10	1 1
1895	2 3	0 10	1 1$\frac{5}{8}$
1896	2 5	0 10$\frac{3}{4}$	1 2$\frac{1}{2}$
1897	1 11$\frac{3}{4}$	0 8$\frac{7}{8}$	1 4$\frac{3}{32}$

I take it, and I always did take it, that the objections raised to the closing of the mints in India were that India would go off a silver basis and go on to a gold basis, and that her exports would suffer in comparison with the exports of China and countries like China which remain on a silver basis. I say that despite the fall in the intrinsic value of the rupee to something like 10*d.* and the maintenance of the gold value of the rupee at 1*s.* 4*d.*, the export trade of India has not suffered, and I maintain that although we remain at 1*s.* 4*d.*, or in the neighbourhood of 1*s.* 4*d.*, the export trade of India will not be injured.

239. Then, as regards the effect of a low rate on exports, it is not altogether, I think, a question whether it is good for the country, but it is a question whether it is necessary to enable the country to pay its debt. India has got to remit some 17,000,000*l.* every year for home charges, which she has to do by the surplus of her exports of produce over her imports; and the question is, not whether a low exchange is actually for the benefit of the country, but whether it would not be necessary in order to induce the exports required to pay that debt?—My opinion is that the exports of India will not be benefited in the aggregate by a low or declining exchange, and I would point to the fact that India was able to pay her debts when the exchange was 2*s.*

240. But the debt was smaller then than it is now?—That may be, but the country has developed very materially in the interval, and the population has very materially increased.

241. (*Mr. Le Marchant.*) With regard to the falling off of exports during the two years which you have marked as famine years—Is it in the latter part of the year that exports would in ordinary course come forward, so that there was time in the first of those years for the famine to affect exports?—That is so. The principal export season is from October to April, and I think, if I may be permitted to say so, that 1896–97 and 1897–98 were also unfortunately plague years in Bombay, and I think the trade of Bombay was very materially affected in consequence of the great exodus from Bombay and the great restrictions that were put upon trade.

242. Do the imports coming forward, now that the famine is over, show a tendency to return to a high aggregate?—They do.

243. From your knowledge as a member of a shipping firm, as well as from general report, do you see indications that the demand for freights point to a full year?—That is so.

244. And this although the rupee is at 1*s.* 4*d.*?—Or over 1*s.* 4*d.*

245. Showing, if I may draw an inference, that there are many causes beside exchange—for instance, high price of wheat and good seasons—that bear on the subject?—Entirely.

246. With regard to the question whether a low exchange benefits the country, may it be the case that while exchange is declining there is a stimulus, but that that force may conceivably lose itself after a period, prices being adjusted, and whatever stimulus has been given dying out?—That is so.

247. (*Chairman.*) The next objection is "That the "Government revenue from railways and canals would "greatly decrease." I suppose your answer to that is simply that it has not done so?—That is so, and I put in the following table showing the returns from railways and canals during the last 15 years:—

RECEIPTS FROM RAILWAYS AND IRRIGATION WORKS.

Year.	Railways.			Irrigation.		
	State Railways, Net Receipts.	Guaranteed Railways, Net Traffic Receipts.	Total.	Net Receipt, excluding Interest on Debt.	Interest on Debt.	Net Charge.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1883–84	4,378,643	3,688,143	8,066,786	346,465	893,665	547,200
1884–85	4,206,317	3,478,300	7,684,617	358,995	932,012	573,017
1885–86	5,056,798	3,725,075	8,781,873	249,378	964,847	715,469
1886–87	5,609,138	3,647,116	9,256,254	338,642	992,591	653,949
1887–88	5,277,739	3,636,670	8,914,409	270,170	1,017,542	747,372
1888–89	5,767,864	3,650,808	9,418,672	318,471	1,040,717	722,246
1889–90	6,523,425	3,168,634	9,692,059	399,054	1,060,683	661,629
1890–91	6,931,284	3,501,274	10,432,558	511,889	1,081,439	569,550
1891–92	8,197,454	3,493,118	11,690,572	436,699	1,109,678	672,979
1892–93	7,869,939	3,244,413	11,114,352	616,809	1,138,386	521,577
1893–94	8,615,132	3,383,812	11,998,944	599,400	1,165,558	566,158
1894–95	9,361,124	3,050,311	12,411,435	580,150	1,194,115	613,965
1895–96	9,517,863	3,275,238	12,793,101	546,051	1,222,409	676,358
1896–97	8,820,051	2,634,164	11,454,215	1,153,109	1,253,479	* 100,370
1897–98 (Revised Estimate.)	9,695,900	2,160,000	11,855,900	1,737,000	1,284,100	* —*452,900*

* Net receipt (famine year).

248. (*Sir Francis Mowatt.*) Are the receipts taken on the same mileage of railways and canals, or has that mileage been increased during the last few years, and if so, would not that affect the receipts?—The mileage has been increased, but not to any material extent. The opened lines have not been materially increased. There is a considerable construction going on.

249. But not sufficient to affect the receipts in the last few years?—No.

250. (*Chairman.*) The next objection was this: "That the balance of trade would go against India if "the rupee were prevented from falling with silver"?—I will put in here a table giving figures for the last 16 years, and those figures do not show that the balance has gone against India.

(*The following table was handed in.*)

EXCESS OF EXPORTS OVER IMPORTS OF PRIVATE MERCHANDISE.

	Rx.		Rx.
1882–83	33,397,824	1890–91	31,100,822
1883–84	35,417,405	1891–92	41,448,553
1884–85	30,051,217	1892–93	43,930,967
1885–86	32,016,304	1893–94	32,490,633
1886–87	29,767,198	1894–95	38,647,561
1887–88	28,086,649	1895–96	44,946,745
1888–89	30,407,853	*1896–97	31,999,660
1889–90	36,836,741	*1897–98	28,145,700

* Famine years.

251. (*Sir David Barbour.*) These figures do not include gold and silver?—No.

252. If you included gold and silver, there would be a considerably lower excess of exports over imports?—No doubt.

253. I suppose you admit that for the last two years India has not met her liabilities?—No, she has not.

254. (*Chairman.*) I suppose these figures are based upon values; you have not gone into quantities?—Values simply.

255. That would be subject to depreciation in prices?—Undoubtedly.

256. Of course, in dealing with combined totals of various commodities, you can only speak of values?—That is so.

257. (*Mr. Holland.*) You told us a short time ago that the price of opium was now lower than it had been at any previous period, and you accounted for that unprecedentedly low price by the fact that it had to be sold in China. Would not the same cause be likely to produce the same effect with regard to other products?—Undoubtedly.

258. The exports of cotton, for instance, to the Chinese markets would be prejudicially affected in the same way?—No doubt.

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Adjourned.

SECOND DAY.

Tuesday, 24th May 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

The LORD BALFOUR OF BURLEIGH.	Sir ALFRED DENT, K.C.M.G.
Sir JOHN MUIR, Bart.	Mr. ROBERT CAMPBELL.
Sir FRANCIS MOWATT, K.C.B.	Mr. EVERARD HAMBRO.
Sir DAVID BARBOUR, K.C.S.I.	Mr. W. H. HOLLAND.
Sir CHARLES CROSTHWAITE, K.C.S.I.	Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Sir JAMES L. MACKAY, K.C.I.E., recalled and further examined.

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259. (*Chairman.*) We are on No. 6 of the objections that were raised to the closing of the mints. That objection was: "That if the rupee were maintained in "exchange above the price of silver, illicit coining "would become rife, and the country would be flooded "with false rupees of proper weight and fineness, "and thus the rupee would sink to silver level." Now what have you to say to that?—There is no evidence whatever that false coining has increased in India, and there has not been one authentic case produced of a rupee having been coined, other than by the Government mints, of the same weight and fineness as a genuine coin.

260. That is negative; you say there is no evidence of it, but as a matter of fact, what is your opinion upon it?—I made particular inquiry when I was out there the other day, and I have not heard of a single case of a rupee of the same weight and fineness as the real coin having been seen. I had one rupee sent home to me about six months ago. I saw a report in a letter of my own firm in Calcutta, saying that a number of rupees of the ordinary weight and fineness were being coined and put into circulation. I wrote out and asked them to send me home one. They sent me one home, and I handed it over to the India Office; they sent it to the Government at Calcutta, and they got a report from the Master of the Mint to the effect that it was actually made in the Bombay Mint in 1860.

(*Mr. Campbell.*) I have had some experience in regard to that matter also. We are constantly shipping coin from India to Ceylon, and on one or two occasions we have been told that a certain number of coins in each shipment were supposed to be false. On one shipment of a lakh of rupees, there were 15 coins picked out which were said to be false, and they were sent to Calcutta; some of them were passed as all right, some of them were said to be spurious,

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and some they could not tell whether they were spurious or no.

261. (*Chairman.*) Then in your opinion, Sir James, there was nothing of any consequence?—Nothing of any consequence.

262. Of course, there is spurious coinage going on to some extent?—Yes, there are a certain number of convictions every year, and there have been from time immemorial.

(*Mr. Campbell.*) The coins I spoke of were of full intrinsic value.

263. (*Chairman.*) Now we will pass to the next point which I think you have answered in reference to objection No. 2, namely, that it would create a vague feeling of discontent?—There is nothing to show that the measure has raised a feeling of discontent in the country.

264. You are not aware of any facts?—No.

265. Now we come to a more important objection. You say the opinion was entertained that it would give Government the power of coinage instead of letting coinage be automatically adjusted, and the Government might manipulate the currency for its own purposes. Will you just explain the meaning of that objection?—In regard to that objection, I think there must have been some misconception as to the scope and intention of the measure. Government can only, and will only, coin rupees when there is a legitimate demand for them for currency purposes. They are obliged under the law to supply rupees in exchange for gold or sovereigns at the rate of 15 to the sovereign. They cannot, without being guilty of an act of dishonesty, coin rupees with the object, say, of paying their debts, any more than they can print currency notes and put them into circulation without having a metallic reserve behind them, as required by the Paper Currency Act.

266. I suppose by that we are to understand that your opinion would be that the Government would be acting not only dishonestly, but illegally, if they coined rupees except in exchange for gold?—That is so.

267. That is, that the mints being closed, the Government, so far as coin is concerned, is precisely in the same position as a person bringing silver to the mint, they cannot have it coined except in exchange for gold?—No.

268. (*Sir David Barbour.*) I think the Government has the power at present to coin rupees if it likes?—They have the power of coining rupees and issuing them to the public in return for gold.

269. But the Government actually did coin rupees out of silver taken over from the banks?—Yes.

270. That power can be taken away by legislation if necessary?—But if it was found that they were doing that for the purpose of paying their debt, undoubtedly the power would be taken away.

271. The Government of this country has power to coin shillings and half-crowns, but if they proceeded to coin shillings and half-crowns to an extent not required there would probably be a question raised in Parliament about it?—Of course.

272. And if the object of the Government of India is to establish a gold standard, the coining of rupees in that way would be the surest way of ruining their own scheme?—Exactly.

273. (*Mr. Hambro.*) I should like to ask what is meant by "legitimate demand." I should have thought a legitimate demand would mean when a man has good security and wants money the Government should be obliged to advance him money to enable him to carry on his trade?—I take it the Government are not obliged to advance money against securities.

274. But there should be enough money for the purposes of trade?—Is not that more to do with the supply of loanable capital than with currency?

275. I have always considered that there should be enough currency in the country for the purposes of trade. For instance, let me ask you this: Do you think that a test of redundancy is the maintenance of the rupee at 1*s.* 4*d.*? I want to know what you mean by "legitimate demand"?—I say that if a person wants more currency from the Government he can get it on demand by tendering his gold.

276. In England we use cheques when we buy things. In India there is nothing but currency if you wish to buy anything?—There is a very large native banking system throughout India.

277. But surely all over the country people buy and sell by currency?—No. In all small transactions they use either notes or rupee pieces, but there is a very large banking system.

278. I have been informed that in 1896 the stringency was so great that the Government of India substituted securities for coin in their Treasury reserve and issued the rupees in order to relieve the stringency. Is that the fact?—The Government, as I understand it, took two crores of rupees out of the currency reserve and put them into their cash balances.

279. Was it not because there was such a stringency of money that people, even on the security of gold, had been paying as high as 24 per cent. per annum for the loan currency of the country?—That I attribute to the want of confidence——

280. Confidence in the gold standard?—I attribute that to the want of confidence in the currency policy of the Government.

281. Then they wanted that which you say they had no confidence in?—Instead of buying rupees at the rate of 1*s.* 4*d.*, they preferred to pledge their gold and get the loan of rupees, and that enabled them to put their gold back again when they had discharged their obligation. If they had put that gold into the mint they could not have got it again when exchange fell.

282. When in England currency is wanted—I mean the token coin of England—the Government coin half-crowns and shillings enough for the purposes of trade?—Only in exchange for gold, and that is precisely what is done in India.

283. But India is not on a gold basis yet; it is still on a rupee basis, with a fixed exchange?—I take it that India is not now on a silver standard. She has closed the mint to the free coinage of silver, and she will only give currency in exchange for gold.

284. But you cannot pay in sovereigns in India?—You can discharge your obligations to the Government in sovereigns.

285. But I mean amongst one another?—I do not think a sovereign is yet a legal tender, but a man would have no difficulty in discharging his obligations in gold.

286. Then you think the trade of India is not in any way affected by the fact of the rupee being scarce?—I think the trade of India is very much handicapped owing to the want of loanable capital in the country. There is an absence of capital by which people carrying on trade can obtain accommodation.

287. You mean the banks cannot lend money?—Several of the exchange banks have remitted their capital to this country, and they have no capital of their own which they can lend to the public. A large number of those who had capital in India have also, during the last 12 months, taken advantage of the 1*s.* 4*d.* exchange to make their remittances home, and the country has been to a great extent denuded of capital

288. Then you think there is no legitimate demand for trading purposes which the Government ought to supply?—There has been a demand for 170,000*l.*—170,000*l.* in gold has been paid over to the mint, and those rupees have been paid to the tenderers of the gold.

289. (*Mr. Holland.*) I understand that you state in your evidence that it was apprehended in the year 1893 that Government might manipulate the currency for its own purposes, and you maintain now that the apprehension has no foundation in fact. But do you not think it would be open to those individuals who entertained that theory in 1893 to say that now the

Government is manipulating the currency for its own purposes, those purposes being the establishing of a gold standard?—No, I think not.

290. (*Mr. Campbell.*) As regards the Government power of coinage, apart from their coinage for the public, I take it that the power of coinage can only be used if gold were held in the Currency Department, and it became necessary to coin silver, bought with a portion of that gold?—That *is* so.

291. Further, that if the Government were to coin silver otherwise, they would have to pay for it by increasing their Council drawings?—Yes.

292. Thereby tending to defeat their object by keeping the exchange below 1*s.* 4*d.*?—Yes.

293. (*Mr. Le Marchant.*) May I ask you this with regard to "legitimate demand." I take it that in this country the Government has no power to issue currency of a full legal tender description against security unless the Bank Act is suspended?—So I take it.

294. They might, as I understand, issue token coinage against gold?—Yes.

(*Chairman.*) Perhaps it would be well here to get upon our notes this letter from Sir C. W. Fremantle, which is given on page 236 of the Herschell Committee's Report. This is an extract from a letter from Sir Charles Fremantle to Sir Thomas Farrer:—"Royal Mint, 27th March, 1893.—Although I am not "able to refer to any specific regulations which deny "to the Bank of England the right of obtaining silver "coin for gold, and the Act of 1816 and the present "Coinage Act are silent on the point, I have no "hesitation in saying that the Bank has no such right. "Some 40 years ago the Mint would only issue silver "coin to the Bank under the express direction of the "Treasury, a fact which indicates that the Bank "could not as a matter of course obtain it on demand; "indeed, our records mention cases in which the "application of the Bank was refused. It would "obviously be against the public interest to allow to "anyone the right to obtain any amount of token "coins, as a super-abundance of token coinage would "lead to much inconvenience, and possibly to its "depreciation. To guard against an over issue the "Government has an arrangement with the Bank of "England, the Bank of Ireland, the Scotch Banks, "and Colonial Governments, under which token "coins are issued through these bodies, who are in a "position of responsibility, and who can best judge "what amount of coin is actually required for circu-"lation."

295. (*Sir David Barbour.*) I understand from that that the issue of token coins in this country is absolutely at the discretion of the Government?—It is at the discretion of the Government, although it is by arrangement with the Bank.

(*Chairman.*) I think so; it is the Government acting through the Treasury.

296. (*Mr. Le Marchant.*) Now, with regard to this remark about issuing against legitimate demands; though the phrase token coinage is used, in the case of India the token is legal tender to any amount, and here, as I understand it, only to 40*s.* in the case of silver. Is that so?—That is so.

297. Am I right in taking your sentence as meaning that there is no power in India for issuing full legal tender except against the payment of gold?—That is so.

298. (*Sir David Barbour.*) Surely the Government can coin rupees to any extent they like at present?—But they will not give them out to the public.

299. But the Government can coin silver which it takes over from the banks, and even when old rupees come in the Government can re-coin them?—Of course.

300. (*Chairman.*) That was provided for; the silver that the banks were actually transmitting, they were bound to coin?—There was no exception in the Act, but the Government did it. It was done by executive order.

301. My impression is that the Government of India are now bound, whenever a man presents to them one sovereign, to give him 15 rupees?—They are.

302. And they are entitled to coin 15 rupees, to that extent?—They are.

(*Sir David Barbour.*) But the Government can revoke that at any time. They are not bound by the Act to do that. That is the difference between India and England.

303. (*Mr. Le Marchant.*) Would you think that it is as much contrary to the spirit of the existing currency provisions in India that fresh currency should be issued except against gold, as it is contrary to existing law or powers in England?—I should think so.

304. (*Lord Balfour of Burleigh.*) On the last point on which there was some discussion, it is the fact, is it not, that under whatever power it was done, the Indian Government did accept for coinage silver to the value of about 2 crores?—Yes, they did that by executive order.

305. (*Sir J. Muir.*) I should like to read to you an extract from a letter I have from Mr. Symons, formerly Chairman of the Bombay Chamber of Commerce, and a Director of the Bank of Bombay. He says, "when I left Bombay on 23rd April, the Bank "rate was 18 per cent., the same as it had been for "some time past. This rate, however, was nominal "to a great extent, for the Bank of Bombay was "obliged to refuse loans at as high as 18 per cent., "even on the security of Government paper. I under-"stand the position was equally acute in Calcutta. "Natives are long-suffering—but once they begin to "understand that they are being embarrassed and "ruined by the action of Government in keeping up "exchange, there is no knowing to what extent the "discontent may spread." Does that agree with your view?—There is, undoubtedly, a stringency in the money market, and if a man has entered into obligations which he has not provided for beforehand, he is put to very serious inconvenience. It is entirely a matter of prudence.

306. But will there not be a reasonable complaint among the natives that they cannot get cash, even at 10 per cent., because the banks have not got the money?—Then I should say that they should sell their securities. It is, no doubt, a matter of discontent to those who have to sell them, but it is a matter of congratulation to those who have to buy, so that it is as broad as it is long.

307. But you agree that it is a matter of complaint and discontent?—I have seen no great evidence of it. No doubt there are men who have entered into business engagements which they have not provided the capital to finance, but I do not see that the Government can be blamed for that.

308. (*Mr. Hambro.*) In England, the Government have broken the Bank Act and enabled the public to get money on security when money was tight. In India, the Government will not do anything of that kind?—I think the Indian Government has never, so far, taken upon itself the financing of the trade of India. I take it the advances that these people in Bombay want are not so much upon securities as upon bales of goods.

309. Rupee paper?—I fancy it does not apply to rupee paper. They have been speculating in rupee paper, and it has gone against them.

310. (*Sir J. Muir.*) The complaint was that they had the paper, but could not get silver?—To whom did they apply?

311. To the bank at Bombay?—Then the bank at Bombay has laid out all its capital and has no more to lend.

312. (*Mr. Hambro.*) The point is that the Government does not come to the assistance of trade in India, as it does in England?—No; 30 years ago they were in the habit of leaving the whole of their surplus balances with the Presidency banks.

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313. (*Chairman.*) Now, the next objection was "That Indian manufactures would suffer, and Bombay "mills would be ruined." Was that an objection that was entertained by the Indian manufacturers themselves, and by the owners of the Bombay mills?—Yes, a good many of the Bombay manufacturers were under that impression at that time.

314. Did they make any protest to the Government based upon that?—A good many of them did.

315. What is your answer to that objection?—I do not find that the mills in Calcutta and Bombay have done so badly in the last few years. I rather think that the Chairman of the Cotton Mills Association of Bombay is in favour of the mints being closed, and having a gold standard. I find that, despite the closing of the mints, the Calcutta jute mills have increased the number of looms by about 50 per cent. in the last four years. In 1892–93 there were, according to the official returns, 27 jute mills at work, with 8,976 looms and 181,172 spindles, whereas in 1895–96 there were 29 mills, with 10,579 looms and 216,139 spindles, and in 1896–97, 32 mills, with 12,784 looms and 258,154 spindles. I put in a table showing the exports of raw and manufactured jute from India from 1887–88 till 1896–97:—

EXPORTS of JUTE from INDIA.

—	Raw Jute.		Manufactures of Jute.					Value of Total Exports of Jute, Raw and Manufactured.
	Quantity.	Value.	Gunny Bags.		Gunny Cloths.		Other Manufactures of Jute.	
			Number.	Value.	Yards.	Value.	Value.	
	Cwt.	Rx.		Rx.		Rx.	Rx.	Rx.
1887–88 -	9,643,484	6,040,379	74,367,620	1,624,905	13,683,912	115,996	5,459	7,786,739
1888–89 -	10,553,143	7,897,154	99,790,587	2,400,766	15,160,592	159,389	11,323	10,468,632
1889–90 -	10,255,904	8,639,861	97,415,895	2,366,135	37,144,007	394,268	30,839	11,431,103
1890–91 -	11,985,967	7,602,010	98,749,416	2,180,022	29,854,029	282,801	19,139	10,083,972
1891–92 -	8,532,430	6,848,494	106,250,612	2,195,238	37,289,300	318,816	4,046	9,361,594
1892–93 -	10,537,512	7,944,223	123,974,986	2,853,310	40,060,110	378,574	6,110	11,182,217
1893–94 -	8,690,183	8,524,130	131,266,827	2,870,624	60,670,094	563,018	8,144	11,965,916
1894–95 -	12,976,791	10,575,977	143,444,320	3,199,806	103,116,727	985,032	25,996	14,786,811
1895–96 -	12,366,781	9,992,861	168,247,453	3,543,011	114,180,788	1,116,767	87,666	14,740,305
1896–97 -	11,464,356	10,550,577	165,945,531	3,518,780	169,410,010	1,630,357	64,793	15,764,507
1897–98 -	15,023,325	10,129,992	197,619,914	3,716,546	242,814,251	2,140,753	72,698	16,059,989

316. Has there been any increase in the export of cotton goods?—The export of cotton twist and yarn from India has increased materially. In 1891–92, that was before the mints were closed, it was Rx. 5,771,033; in 1897–98 it was Rx. 6,955,482.

317. Have you anything to tell us of your own knowledge with reference to the amount of yarn spun in India, and used in India—woven in India?—No, I cannot speak to that.

318. Will you tell us generally whether the cotton trade in India has been prosperous, or the reverse, since the closing of the mints?—I cannot say whether it has been more prosperous or less.

319. It has not been ruined?—It has not been ruined; it has been increased.

320. No mill you know of has been shut?—I have known no mill to be shut. By the mail yesterday I got a statement which I should like to read to the Committee:—

RESULTS OF COTTON MILLS for the Year 1897.

Name of Mill.	Agents.	Capital.	Debentures.	Loans and Debts.	Reserves.	Block.	Spindles.	Looms.	Profits.	
									Year.	Per 1,000 Spindles.
Bengal -	A. Yule & Co. -	£200,000	—	£24,000	£7,366	£188,426	64,540 M. 30,000 R.	—	£23,240 1s. 3d.	467
Bowreah -	Kettlewell, B., & Co.	Rs. 800,000	Rs. 700,000	Rs. 700,000	—	Rs.2,372,046	49,000 M. 19,936 R.	—	Rs. 307,363	446
Dunbar -	Kilburn & Co. -	„ 1,400,000	„ 1,700,000	„ 259,000	Rs. 153,050	„ 2,300,141	59,624 M. 30,000 R.	—	„ 417,451	559
Empress -	D. B. Metha & Co. -	„ 875,000	—	„ 98,978	„ 50,000	„ 732,235	33,612 M. — R.	—	„ 52,726	157
Goosery -	Robinson, M., & Co.	„ 1,500,000	„ 900,000	„ 182,062	„ 55,000	„ 2,236,970	40,074 M. 20,000 R.	—	„ 269,157	531
Garden Reach	M. M. & Co. - -	£287,000	£20,000	—	—	£275,000	32,364 M.	—	„ 150,743	466
New Ring -	Kettlewell, B., & Co.	Rs. 600,000	Rs. 300,000	—	—	Rs. 768,047	20,000 R.	—	New mill.	

CAWNPORE MILLS.

Cawnpore -	J. Harwood - -	Rs. 1,200,000	Rs. 150,000	Rs. 446,000	Rs. —	Rs. 1,751,957	66,648	200	Rs. 208,616	313
Muir - -	S. M. Johnston -	1,500,000	400,000	85,150	275,000	1,751,933	47,202	1,220	306,137	647
Victoria - -	Atherton, West -	1,200,000	—	274,000	176,000	1,952,797	61,200	127	274,022	448
Delhi - -	W. Wilson - -	700,000	—	333,994	195,000	940,097	22,808	183	169,000	741

321. That evidence confirms you in your opinion that the closing of the mints has not exercised a prejudicial effect upon the cotton industry?—That is my impression.

322. (*Sir David Barbour.*) When the Indian mints were closed to silver, and the mints of a great many other countries were closed to silver, the production of silver did not fall off very materially. There was an additional quantity of silver thrown on the market, was there not?—There was.

323. And countries, such as China, even if they have no mint, but have a sort of silver standard, would have to absorb that silver, of course?—No doubt.

324. And these countries, having to absorb more silver, would have to export something to pay for it?—That is so.

325. So that, though it cannot be said that there is any real stimulus given by what you might call a sort of supernatural effect of exchange, there might be some stimulus to exports due to the necessity of having to pay for more silver?—Yes.

326. China might, or might not, benefit according to circumstances; she might get cheaper silver, if that was a gain?—Exactly.

327. (*Mr. Holland.*) Do I understand you to deny that the spinner is put at a disadvantage by the rise in the rupee?—I do not think the Indian spinner is disadvantaged by the rupee being at 1*s.* 4*d.*

328. You will admit that the labour is less well paid if it is paid in silver at market price than if it is paid in silver at an artificial token price; in other words, the remuneration for labour is less in China and Japan, relatively, than it is in India?—Practically, the wages in India were fixed some 30 or 40 years ago at an exchange of about 2*s.* The wages have altered very little, and the employé has stood the depreciation from 2*s.* to 1*s.* 4*d.* If depreciation went on from 1*s.* 4*d.* to 10*d.* or 8*d.*, he might stand it, or he might not. If he did stand it, there is no doubt that Indian mills would, to that extent, save in labour; but it is a question, to my mind, whether they would get the same price for their output, and I do not know that they would make any more money, or that their profits would be any bigger on the 10*d.* rupee than on the 1*s.* 4*d.* rupee. I think they would not.

329. (*Chairman.*) You do not think that these profits are attributable to a gain in the lowering of wages?—I think not.

330. (*Mr. Holland.*) You will admit that, if wages in China have not been altered nominally in the meantime, yet there has been practically a reduction in those wages if silver has decreased in value?—Undoubtedly.

331. And to that extent you will admit that Bombay is at a disadvantage over China?—Undoubtedly. On the other hand the Chinaman, the man who builds his mill in China, has got to give far more dollars for his machinery than he had to give when the dollar was worth 4*s.*; and therefore he starts with a higher capital.

332. You told us just now that there had been no stoppage of Bombay mills; but I think many of them a year or so ago were shut down because of the plague?—Oh yes, that is so.

333. If I might refer to the tables that have been put in, the tables of cotton twist and yarn, and the exports of raw cotton, the raw cotton shipments you will admit have increased out of all proportion to the shipments of Indian twist and yarn?—The raw cotton shipments have increased much more. I think that practically now very little raw cotton comes to Europe. It nearly all finds its way to the Far East.

334. (*Chairman.*) Have the exports to Germany gone down?—The exports to the whole of Europe. There has been a better market found in the Far East; but in spite of that, the export of Indian yarn has gone on increasing.

335. (*Mr. Holland.*) But do you not think that the fact of greatly increased exports of raw cotton is of itself a reasonable source of alarm to the Indian spinner, because it displaces the production of the Indian mills?—I think that Mr. O'Conor, when he comes, will be able to tell you better than I can; but I rather think that the cotton that has gone to India has displaced to a considerable extent American cotton in the Far East; it has cut it out.

336. I think it is reasonable to assume that it will displace a certain proportion of Indian spun yarn, and to that extent it will be a source of alarm to the Indian spinner?—But I take it that this cotton, or a portion of it, had displaced American cotton in the Far East.

337. I think you will find very little Indian cotton has gone to China. Its displacement by American cotton is on the ground that American cotton is of a better grain than the coarser Indian cotton for the kind of goods they want?—It is quite possible that, seeing that India is knocking out China entirely in the growing of tea, the Chinese must do something, and they may be turning their attention to cotton spinning. The tea growers of India and Ceylon are depriving them of their market for tea, and they have to do something.

338. (*Mr. Hambro.*) I understand you to say that the India cotton mills have not been hurt as against the China mills, and I understand you think that they would not be hurt as long as the rupee was only at 1*s.* 4*d.* I should like to know what reason you have for fixing 1*s.* 4*d.*, or 1*s.* 3*d.*, or anything else; why do you say that 1*s.* 4*d.* will not affect an Indian mill against a unit of 10*d.* in China. Do you mean that if the unit of 10*d.* should fall to 8*d.*, then the 1*s.* 4*d.* rupee would hurt India, or do you mean that 1*s.* 4*d.* would never hurt India?—I think so. We started with 2*s.* and did it, and nothing was done to arrest the decline until we came to 1*s.* 4*d.* If we get a gold standard on the basis of 1*s.* 4*d.*, we still have an advantage of 8*d.* in the way of wages, and I therefore think that 1*s.* 4*d.* is a very fair rate on which to base our gold standard.

339. Then you said that the Chinese manufacturers would not benefit to the full extent because they would have to pay for the goods they imported more dollars if silver fell, but in the event of new capital going to China to establish mills, exactly the opposite would result?—But the money has to go to China.

340. Not if the money is sent out from England?—But the revenue has to come out.

341. I quite agree with you about revenue, but as to capital going out?—I am taking the Chinaman who has his capital in dollars, and who has to send home his dollars to buy machinery; so that it cuts both ways.

342. (*Chairman.*) Is it known whether, as a fact, wages in China have been affected by the fall in the dollar?—I cannot say.

343. Now, as to objection No. 10, just to exhaust the yarn part of it. The objection was, "That Indian "yarn would cease to be exported to China altogether, "and the rice trade from Burma would be handi- "capped as compared with that from Cochin China "and Siam." What have you to say to that?—I can only say that it does not seem to have been so. We have gone on steadily increasing up to 1895–95 in our exports of rice. 1896–97 was a famine year, and there was, of course, a falling off then, but India consumed a large quantity of Burmese rice. I put in the following table:—

EXPORTS of COTTON TWIST and YARN and RICE.

—	Exports of Cotton Twist and Yarn.	Exports of Rice.
	Rx.	Rx.
1882–83	1,816,819	8,476,327
1883–84	1,926,162	8,362,080
1884–85	2,441,101	7,192,197
1885–86	2,755,252	9,247,126
1886–87	3,336,861	8,836,827
1887–88	4,077,387	9,291,687
1888–89	5,207,100	7,915,408
1889–90	5,748,732	10,110,482
1890–91	6,543,364	12,577,740
1891–92	5,771,033	13,385,970
1892–93	6,773,482	12,406,719
1893–94	4,974,133	10,384,739
1894–95	5,672,024	13,806,611
1895–96	6,730,836	13,537,047
1896–97	7,173,108	11,947,122*
1897–98	6,955,482	11,705,842*

* Famine years; large quantity of rice shipped from Burma to India.

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344. Then the 11th objection was "That Indian "raw cotton would be handicapped by American "cotton, and would probably cease to go to China "altogether." I understand you to say that American cotton has been the sufferer, and not the Indian raw cotton?—Apparently the Indian cotton has not been handicapped by American cotton.

345. That is, of course, a pure question of statistics?—Quite so, and I think the following figures answer this objection.

EXPORTS of RAW COTTON to CHINA (Hong Kong and Treaty Ports) and JAPAN.

——	To China.	To Japan.	Total.
	Rx.	Rx.	Rx.
1882-83	951,669	—	951,669
1883-84	745,654	—	745,654
1884-85	585,184	—	585,184
1885-86	534,144	—	534,144
1886-87	321,212	235	321,447
1887-88	512,649	361	513,010
1888-89	369,306	1,072	370,378
1889-90	349,376	186,431	535,807
1890-91	319,783	216,806	536,589
1891-92	266,051	997,082	1,263,133
1892-93	126,880	1,256,755	1,383,635
1893-94	9,713	1,093,886	1,103,599
1894-95	68,113	1,277,769	1,345,882
1895-96	149,692	2,442,435	2,592,127
1896-97	393,842	3,760,332	4,154,174
1897-98	353,861	3,256,206	3,610,067

346. (*Lord Balfour of Burleigh.*) The question of whether the alteration of exchange would or would not have the effect of handicapping American cotton is not probably the only factor in the cotton trade?—No, of course there are other factors.

347. It would depend at least as largely upon whether there was a good crop in this or that country?—It would.

348. And in making up this table of "Exports of "raw cotton to China (Hong Kong and Treaty ports) "and Japan," have you taken into account at all what the value of the cotton crop in other cotton-producing countries was in those years?—No. I am not aware that there was anything abnormal in the cotton crop in America in any of those years. I have merely put the figures forward to show that India has gone on importing.

349. All it proves is the fact that this increased quantity of cotton has, from some cause or other, gone to China and Japan?—In spite of the closing of the mints.

350. All that the table tells us is the fact that it has done so?—Yes, and it shows this. Some people were afraid that the closing of the mints would give an advantage to other countries over India; they were afraid that it would choke off the trade in cotton from India and the Far East. These figures show that the trade has not been injured.

(*Chairman.*) Perhaps Mr. Holland can tell us something about the American cotton crop.

(*Mr. Holland.*) There never was so good a cotton crop in America as there was in the last year—never so large in amount, and, I should think, rarely ever so large in value.

351. (*Chairman.*) Now, Sir James, we come to the internal trade of the country. Objection No. 12 was that the closing of the mints "would interfere with the internal trade of the country." Your evidence on this point seems to be a repetition of what we have already had?—Exactly. The railway returns already given and the returns of the coasting trade of India which I now put in answer this objection. (*Witness put in the following table.*)

COASTING TRADE of INDIA, exclusive of GOVERNMENT STORES and GOVERNMENT TREASURE.

——	Imports.			Exports.			Total Trade.
	Merchandise.	Treasure.	Total.	Merchandise.	Treasure.	Total.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1882-83	25,419,832	4,066,557	29,486,389	24,524,241	3,316,125	27,840,366	57,326,755
1883-84	28,076,869	3,494,608	31,571,477	26,197,548	3,692,606	29,890,154	61,461,631
1884-85	27,464,753	2,462,400	29,927,153	25,740,389	2,734,013	28,474,402	58,401,555
1885-86	26,310,713	3,092,082	29,402,795	25,150,596	3,044,895	28,195,491	57,598,286
1886-87	26,771,036	2,382,142	29,153,178	25,148,078	1,864,107	27,012,185	56,165,363
1887-88	29,149,044	1,793,055	30,942,099	27,866,031	1,930,504	29,796,535	60,738,634
1888-89	28,611,912	2,004,581	30,616,493	27,712,395	1,837,182	29,549,577	60,166,070
1889-90	28,663,207	1,723,624	30,386,831	27,172,684	1,651,528	28,824,212	59,211,043
1890-91	32,078,267	2,287,993	34,366,260	28,983,542	2,236,590	31,220,132	65,586,392
1891-92	32,003,085	2,867,122	34,870,207	30,298,005	2,727,792	33,025,797	67,896,004
1892-93	31,881,163	1,754,895	33,636,058	30,380,975	2,080,176	32,461,151	66,097,209
1893-94	35,114,085	1,228,447	36,342,532	30,501,095	1,602,580	32,103,675	68,446,207
1894-95	33,572,102	2,063,319	35,635,421	32,568,867	2,113,256	34,681,623	70,317,044
1895-96	37,448,152	1,289,456	38,737,608	34,679,544	1,787,685	35,867,229	74,604,837
1896-97	32,674,885	1,725,788	34,400,673	31,903,657	1,896,640	33,800,297	68,200,970
1897-98	35,401,184	1,992,796	37,393,980	36,264,804	2,214,259	38,478,563	75,872,543

By the merest accident I got some figures last night from India which I should like to read to the Committee. The figures are confined to the coasting trade——

352. Is what you are going to give us exclusive of Government stores and Government treasure?—Yes, but the figures are all taken from Government sources. (*Witness read the following table.*)

STATISTICS for 1897. No. 260 contains the following statement giving the figures for 1897, and comparing them with the figures given for the previous ten years:—

Years.	Miles run.	Passengers carried.	Animals carried.	Ton Cargo carried.	Years.	Miles run.	Passengers carried.	Animals carried.	Ton Cargo carried.
1887	1,679,632	391,377	28,465	1,022,768	1893	2,228,689	574,511	88,646	1,544,177
1888	1,904,920	426,079	35,658	1,201,909	1894	2,500,399	564,604	86,711	1,773,381
1889	2,126,622	457,106	36,576	1,338,184	1895	2,730,374	618,171	98,499	1,936,307
1890	2,162,440	460,901	35,887	1,407,980	1896	2,743,462	675,325	105,747	1,948,577
891	2,383,172	582,613	74,166	1,539,896	1897	2,874,963	664,814	96,965	2,271,332
1892	2,173,866	612,075	96,014	1,356,980					

Those figures show that, despite the 1*s.* 4*d.* rupee, our business has not suffered.

353. I suppose the famine has materially helped?—The famine has helped and the coal trade has materially helped. The number of native passengers has gone up materially. In 1887 we carried 391,377 passengers, and in 1897 we carried 664,814, so that we have practically doubled.

354. You have increased your freight also?—We have increased our freights. The coasting trade of India has gone on increasing and improving very materially, so that, as far as I can see, there has been no interruption to the internal trade of India.

355. Since the closing of the mints?—Since the closing of the mints, or in consequence of the closing of the mints.

356. (*Sir John Muir.*) I suppose the 1*s.* 4*d.* rate, as against the 1*s.* 1*d.* rate, is materially in the interests of your firm, on account of the remittances that you have to send home?—Just in the same way as with regard to everything else. The whole of our wages are paid in rupees. If rupees go down and wages do not go up, it is to our advantage, clearly.

357. Have you any especial advantage on the other side as compared with a tea company, for instance?—I am not aware of it. Our profits come on the other side; it is only the profit margin that comes home.

358. You might have a certain sum to put down for depreciation, but that comes on the other side?—Undoubtedly.

359. Which is of great advantage to you?—But our disbursements are very much in excess of our remittances for profit purposes.

360. Then the money which comes to enable you to go on increasing your fleet, as you have told us——?—Depreciation and profit come from India in sterling remittances, but depreciation and profit are a very small item in our revenue as compared with our disbursements.

361. (*Sir David Barbour.*) The English pound sterling is worth 20*s.*?—Yes.

362. The rupee used to be worth 2*s.* and is now worth 1*s.* 4*d.*, but the English pound sterling is worth 20*s.* still?—Yes.

363. And the rupee is now worth only 1*s.* 4*d.*?—Yes.

364. Now, if, notwithstanding the fall of one-third in the value of the rupee, the Indian producer is likely to be ruined because he cannot get a further fall, what must the condition be in England, where there has been no reduction at all, and the pound is still worth 20*s.*?—I quite agree with you.

365. If India is badly off with the rupee at 1*s.* 4*d.*, England must be worse off with the pound still standing at 20*s.*?—Undoubtedly.

366. Then, as regards profits made in India, profits arising from the practical, although not the nominal, reduction of wages, I suppose the man who works in a mill has to be considered as well as the owner of the capital invested in the mill?—He ought to be.

367. And on the general question you would say that India produces and exports produce in order to pay for her railways and her imports, and generally to pay her debts abroad?—Yes.

368. And I imagine that, whatever inconvenience any alteration in the rate of exchange would cause, she will go on doing so?—I hope so.

369. And, if so, she must continue to produce articles of export?—Yes.

370. (*Sir C. Crosthwaite.*) Can you tell me whether the stringency that has been felt in the Presidency towns has also been felt up in the interior?—I imagine it has—probably more so.

371. Do you think that the great disbursements that the Government made on account of the famine may have prevented that being felt, to some extent, in the interior?—I really cannot say.

372. What is the rate of interest in the Presidency towns, as far as you know?—13 per cent.

373. Would that be a high rate up country?—No; it has often been 20 and 30 per cent., or something like that. Somebody told me that it had been 70 per cent. before the mints were closed.

374. I think you said that there was a system of credit in the interior?—No doubt that is so.

375. Can you tell me whether the Government revenue—the land revenue—is ever paid otherwise than in hard cash?—No, I think not.

376. Can you tell me whether the revenue is collected all over India at about the same time, within a week or two, or a month at the outside?—I believe it is within two or three months.

377. Then, what becomes of the rupees when they are collected by the Government?—They find their way into the reserve treasuries.

378. And under the orders of the Government they are sent where they are wanted?—That is so.

379. So that, periodically, a great deal of coin is taken out of circulation in India?—No doubt.

380. Therefore, if there was any difficulty in finding actual coin, would it not press very heavily on the people who had to pay the land revenue in coin; I mean that they might be obliged to take less for their crops than they would if rupees were plentiful?—I should say it is the case everywhere.

381. But you do not know whether that has been the case or not?—I do not know.

382. Do you know whether any inquiry has been directed by the Government to find that out?—I do not know.

383. There is nothing in the Government of India's proposals referring to it?—No, I think not.

384. (*Mr. Holland.*) You will probably admit that the true measure of disadvantage to the Indian trader by the high rupee in comparison with his competitor in the Far East, is really the measure of difference between the intrinsic value and the token value of silver; it is not a question of whether 1*s.* 4*d.* is a disadvantageous rate, but it is a question of the difference between the intrinsic value and the token value of the rupee?—I do not quite follow your question.

385. The table you gave showing the difference between the rates of exchange with India and the intrinsic value of the rupee, shows that the disparity is constantly increasing in these different years?—Yes. It increased up to 1897, and since then the intrinsic value of the rupee has rather gone up, as I have shown, to 27*d.* an ounce, which brings it back again to 10¾*d.*

386. But admitting that there is any disadvantage, you will admit that that disadvantage is increased in the same ratio as the disparity between the two is increased?—Do you refer to labour?

387. Yes, labour is the principal item, undoubtedly?—The only item, I should say. If wages fixed in silver are not raised owing to the fall in the value of silver, undoubtedly the manufacturers' cost in wages measured in sterling goes down.

388. And may it not be the case that the full effect of the high rupee has not been fully felt yet, seeing that it has only taken place during the last year, and so many forward contracts have been made?—The full effect where?

389. The full effect on Indian trade?—As compared with what trade?

390. As compared with the competitor in the Far East?—You mean with regard to manufacturers?

391. Yes, generally.

(*Chairman.*) We are not now on the export trade; we are on the internal trade of India; and the question is whether that has suffered by the closing of the mints. We had better not go back again to the other point.

392. (*Mr. Holland.*) Then I will put this question: Do you not admit that dear money (which some contend is associated with the closing of the mints) interferes with internal trade? For instance, does not a high bank rate interfere with the moving of crops from the interior to the ports?—All that I have put forward is that apparently, despite the closing of the

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mints, and despite the dear money that we have had in the last six months, the internal trade of India has not suffered, as far as we can judge by the statistics.

393. But does not it stand to sense that money having been dearer, there must have been inconvenience?—Until adjustment takes place, undoubtedly there is.

394. How does the adjustment show itself?—The adjustment shows itself by freights going down, or something like that. There is a check for a moment, undoubtedly, until the adjustment takes place.

395. (*Mr. Hambro.*) I think, in answer to Sir Charles Crosthwaite, you said that during the time the taxes were collected, and then locked up pending orders, stringency might, to some extent, exist for want of money. Is there no arrangement in India at all such as there is in England, to prevent the undue tightness of money when taxes are collected—that the Bank at that period lends money more freely than at any other time?—No, there is nothing of that kind, I think.

396. If there is nothing of that kind, would not commerce be hampered by so much of the circulating medium being locked up?—There might be a certain amount of inconvenience owing to that.

397. And that, in part, might be the cause of the high rate charged for the loan of it?—It may be.

398. And not the insolvency of the tea growers, as you were suggesting?—I take it that when the rent has to be paid, the ryots—the growers—have to realise their crops, or take loans from the Marwaris.

399. During that time the payment of currency might have a prejudicial effect on the grower, because he might have to sell his produce at a lower price to get cash?—Undoubtedly.

400. (*Mr. Le Marchant.*) With regard to the internal trade, that is materially developed and assisted by railways and by steamship companies, such as your own?—That is so, no doubt.

401. Therefore, a rate of 1*s.* 4*d.*, gives advantage to any other enterprise carried on by English capital, in remitting their dividends home; that is to say, their dividend earned in rupees produces a proportionately better result. Do you consider that, so far as that is the case, it is an inducement to English capital to go out to India?—Undoubtedly.

402. And to that extent would promote internal trade?—Undoubtedly.

403. (*Sir David Barbour.*) As regards the question of the payment of revenue all at one time, I imagine the question is limited to the land revenue, because there is a great deal of other revenue—excise and so forth—which is always being collected and paid out again?—I took the question to be confined to land revenue.

404. And, again, the customs revenue is paid day by day into the Treasury. A great deal of the revenue is paid out locally. There are payments for the Army and for public works, and so on. In fact there is always revenue coming in and going out?—Of course.

405. So that it is not a case of all the revenue being taken and locked up for an indefinite time; and the land revenue would be no more than one-fourth of the total receipts?—I should think about one-fourth or one-fifth.

406. (*Chairman.*) Now we will go to the subject of tea imports?—Before you go to that, I should like to put in this table of the output of coal in India. The figures from 1887 to 1897 are as follows:—

Year.	Quantity.	Year.	Quantity.
	Tons.		Tons.
1887	1,564,063	1893	2,562,001
1888	1,708,903	1894	2,820,652
1889	1,946,172	1895	3,537,820
1890	2,168,521	1896	3,848,013
1891	2,328,577	1897	4,063,127
1892	2,537,696		

407. (*Sir J. Muir.*) Is not this quite a new industry in India?—Well, I went there in 1874, and I burned country coal in 1874. The industry has gone on developing.

408. Still it is a new industry in India?—Coal has been raised in India, I should say, from time immemorial.

409. But it is a comparatively new industry, and it is beginning to go on increasing, as it is a paying trade. I mean, is it quite fair to say that the rupee at 1*s.* 4*d.* would make any difference to that trade?—I do not say that. I put this forward to show that, despite the closing of the mints, the coal industry, which is a very important one, has not been checked.

410. There is, nevertheless, a huge industry in coal?—Despite the closing of the mints, there is a huge industry in coal.

411. Of course, when things come to be continually cut, it makes all the difference as regards wages?—But I think you cannot cut the wages of the coal miner any further. He gets about 1*d.* a day now.

412. I agree. But the coal industry is comparatively a new industry in India, and as there is a lot of coal there, it is beginning to go on increasing by leaps and bounds?—I have known the coal industry, from my own knowledge, for the last 24 years. In 1887, which is eight years ago, the output of coal was 1,564,063 tons. The output in 1897 was 4,063,127 tons.

413. Do you expect that will go on increasing?—I hope so.

414. From the natural development of trade?—Yes. I merely put forward the figures to show that, despite the closing of the mints, and despite the 1*s.* 4*d.* exchange, the coal industry has not been checked.

415. (*Chairman.*) Now, what have you to say as to the tea question?—I put in a table of exports of tea from India, and a table of the imports of tea to the United Kingdom from India, Ceylon, and China.

[*Witness put in the following tables.*]

I.—Exports of Tea from India.

Year.	Quantity.	Value.
	Lbs.	Rx.
1884–85	64,162,055	4,044,759
1885–86	68,784,249	4,306,133
1886–87	78,702,857	4,727,992
1887–88	87,541,505	5,174,440
1888–89	97,011,112	5,267,315
1889–90	103,760,104	5,277,649
1890–91	107,014,993	5,219,233
1891–92	120,749,407	5,968,129
1892–93	114,732,447	6,292,348
1893–94	126,332,475	6,585,835
1894–95	129,099,316	7,555,745
1895–96	137,710,205	7,664,889
1896–97	148,908,461	8,124,548

II.—Imports of Tea to United Kingdom.

Year.	From India.	From Ceylon.	From China.
	Lbs.	Lbs.	Lbs.
1884	63,208,000	2,211,000	143,771,000
1885	64,382,000	4,242,000	139,673,000
1886	73,467,000	7,144,000	145,308,000
1887	84,645,000	13,062,000	119,799,000
1888	89,874,000	22,510,000	105,785,000
1889	95,384,000	32,673,000	88,558,000
1890	101,771,000	42,491,000	73,743,000
1891	109,638,000	61,900,000	62,284,000
1892	111,711,000	66,042,000	57,051,000
1893	115,023,000	72,361,000	56,209,000
1894	115,380,000	76,811,000	43,763,000
1895	123,362,000	83,448,000	40,084,000
1896	127,720,000	94,860,000	35,300,000

416. Those figures do not show that the tea industry has suffered?—Certainly not.

417. The objection was that the tea industry would suffer?—That was the objection taken by those who opposed the closing of the mints.

418. And your figures show that the import of tea to the United Kingdom has gone up, and is rapidly displacing China altogether. But the question is, whether the closing of the mints will affect, not the import of tea, but the profit on the capital invested in tea, and cause a corresponding loss to the tea grower. I want to put that question very plainly to you, because we have memorials from India and Ceylon to the effect that if a gold standard is adopted, and the price fixed at 1*s.* 4*d.*, it will be a serious injury to their industry. I should like your views upon that?—I should say that if a 1*s.* 4*d.* rupee lowers the profit made by the tea companies, it will naturally check further development in tea, it will check an increase in production of tea, and it will naturally raise the price. Therefore, what they will lose on the one hand they will gain on the other. If competition is checked, and the output is restricted, the price of tea will rise, and naturally the tea companies will be in a position to earn bigger dividends.

419. On that ground you think it would not seriously affect the tea industry?—I think not; and I find from the figures that, despite the closing of the mints, the output of tea has materially increased.

420. To go back to the figures you gave us as to the intrinsic value of the rupee, I see that in 1897 the rupee touched 1*s.* $4\frac{3}{32}$*d.*?—Yes.

421. There is a very striking increase in 1895 and 1896, but it only rises to its present price in 1897. Now your figures of the imports of tea stop at 1896?—We have not got them for 1897 yet.

422. Do you think that fixing the price of the rupee at 1*s.* 4*d.* will materially affect the case, that is, increase the cost to the tea-grower?—No, I do not.

423. Totally irrespective of what you described yesterday as the balance on the other side?—I do not think it will affect him to any degree that he need be at all afraid of.

424. (*Lord Balfour of Burleigh.*) Have you any practical knowledge of the tea industry yourself?—My firm has tea gardens.

425. Have you taken any part in the management of them yourself?—Only as a partner in the firm, and as interested in the dividends of the Company. Beyond that I have paid very little attention to tea. I do not put myself forward as an expert in regard to tea.

426. Your knowledge of the subject is gained from statistics?—And also by being personally interested in tea enterprises.

427. What has been your personal experience for the last four years in the tea industry?—My personal experience has been that of a shareholder.

428. And do you find that your dividends are increasing or diminishing?—I do not think they are in any way affected by the 1*s.* 4*d.* rupee.

429. That is a matter of conjecture, but I want to know what has been the effect in the last four years upon it as a profitable undertaking?—I do not find that the profit has increased in the last four years.

430. Do you find it has diminished?—I think so.

431. A great deal?—Yes.

432. Almost to vanishing point?—Well, I do not think they have been at anything much above vanishing point from the time I became connected with them.

433. (*Sir J. Muir.*) The lines have not fallen in pleasant places?—No, they have not.

434. You read to us yesterday an extract from a report of the Dooars Tea Company?—Yes. I simply gave the cutting from the *Financial News*. I know no more about it than that.

435. I hold in my hand the directors' report and statement of account of the Dooars Company, and I find this statement: "The further rise in exchange "reduced the profits considerably"?—I think that was quoted in the passage I put in yesterday.

436. I had not caught it, but I should like to emphasise that. Now, this is a very important point, and I would like to put to you an extract from another tea company's report. In the report of the Lungleh (Sylhet) Tea Company, the directors state: "The result of the season is disappointing, and is "due, firstly, to the high rate of exchange, which has "caused a deficit of about 1,500*l.* as compared with "the previous year." Then I have also the last report of the British Indian Tea Company, Limited. There the directors say: "The increase of 2,500*l.* in "the estimate of the expenditure as compared with "the figures of 1896–97 *is* owing to the higher rate "of exchange (1*s.* 4*d.* per rupee) entered this year. ". . . . . It will be noticed that this high rate "of exchange—which is entirely due to the action of "the Indian Government in forcing an artificial "value on to the rupee by trying to establish a gold "standard in India—brings up the estimated ex-"penditure to within ·60*d.* per lb. of the actual "average price obtained for the 1897 crop."

437. (*Chairman.*) Now, Sir John Muir having read to you those extracts, do they alter the opinion that you have expressed that the tea industry has not practically suffered?—No, they do not alter my opinion in any way.

438. (*Sir J. Muir.*) There is one other report I have here, the report of the Darjeeling Company. The directors say: "Rates of exchange between "London and Calcutta have again ruled higher than "during the past few years; 13,500*l.* issued during "1897, in drafts at six months' sight at Calcutta, "produced rupees 216,532, at an average rate of "14·96*d.* per rupee, while the average rate in 1896 "was 14·31, and in 1895, 13*d.* per rupee. Exchange "account being the difference between the par value "of 2*s.* and 14·96*d.* per rupee on 13,500*l.* amounts "to 8,153*l.* 5*s.* 1*d.*" Did I understand you to say that you thought there was no disadvantage to the tea companies in the 1*s.* 4*d.* as against the 1*s.* 1*d.* rate?—I should think practically it is no disadvantage to the tea companies.

439. What do you make of this? In Calcutta we have certain marginal bills which we sell, and with the produce of these bills we pay the wages of our coolies and our English and Scotch managers and so on. If the bills sell at 1*s.* 1*d.*, we get more than if they sell at 1*s.* 4*d.*; therefore we get for 10,000*l.* of marginal bills far more at 1*s.* 1*d.* than at 1*s.* 4*d.* What do you say to that?—I will put it in this way: If the premisses are sound, and 1*s.* 1*d.* is better than 1*s.* 4*d.*, a 6*d.* rate must be better than 1*s.* 1*d.*, and a 1*d.* must be better than 6*d.*, and if you are going down to a 1*d.*, is that going to bring wealth to the tea gardens of India?

440. But you cannot conceive silver falling to 1*d.*, can you?—I do not know. I say that the lower it gets, if the premisses are sound, the better it is for the tea industry.

441. We cannot go to the vanishing point?—That is my point.

442. You are a tea planter, to a moderate extent, and you are aware that a number of years is necessary before a tea garden is remunerative?—I should say, probably, three or four years—possibly longer.

443. Now I want to take you to this. You have given statistics here as to tea increasing in volume of production, year by year, in India, but you are not in a position to tell us, at present, what effect the 1*s.* 4*d.* rate will have. During a portion of the period there is no remuneration, and we are bound to go on, year by year, until we come up to the 1*s.* 4*d.* period, which will not be for three years. Therefore, do you consider that these statistics are quite fair? These statistics are the statistics of the low rate of exchange. What I mean is, that it is on these figures of 1*s.* 1*d.*, 1*s.* $1\frac{1}{8}$*d.*, 1*s.* $2\frac{1}{2}$*d.*, and so on, that the low exchange was showing this increase?—What I have endeavoured to prove in putting forward these figures is that, despite silver going down to 10*d.* per rupee, and despite the supposed advantage that China has gained

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through this fall in the value of silver, despite the fact that the exchange value of the rupee has been maintained at from 1*s.* 1*d.* to 1*s.* 4*d.*, the tea industry in India has, apparently, not suffered. I presume that if it were correct to say that the tea gardens were being ruined, a number of them would have gone out of cultivation, and I do not find that that is the case. China has had the advantage during the last four years of a 10*d.* rupee.

444. Do not you think that the facts I have quoted from these tea companies' reports have some bearing on the point?—I believe that the directors of those companies are fully convinced that it is a bad thing for India to have a 1*s.* 4*d.* rupee; I believe they put that forward, honestly believing it, but my impression is that they are mistaken.

445. While we have been going on here, I have had a telegram which I should like to read to you, "Assam Company profits reduced from 43,000 to "31,000, and Brahmapoottra from 27,000 to 17,000."

(*Chairman.*) I do not think we can take this any further. The witness admits all that, but he says that his opinion remains the same. Of course, we shall have opinions on the other side.

(*Witness.*) It is a pure matter of opinion.

446. (*Sir J. Muir.*) You acknowledge that I am correct in saying that we cannot judge of the effect of the 1*s.* 4*d.* rate on the production of tea, because we cannot tell that till three years afterwards?—That may be so. It will take some time to show whether the 1*s.* 4*d.* rupee has checked production.

447. I understand you acknowledge that you would have to wait three or four years, or even five years up in the hills?—Yes, and I would also like to point out this. If the profits of the tea companies should be reduced naturally, the output of tea would be restricted, and the price would be inclined to rise; so that I do not know that, even if there were a little restriction, it would be a bad thing for those who have invested their money in tea, so far.

448. China is still in the field, and if China is still in the field, you are giving a premium to China, and an encouragement to China to go on?—I do not agree in that contention. I think it is an unsound contention. I should rather like to refer the Committee to a very clear statement of the case which was put forward by the Government of India, and which is embodied in the Herschell Committee's report. The case is very clearly put there.

449. (*Sir David Barbour.*) The closing of the mints has caused a reduced import of silver into India?—It has.

450. As compared with what it was immediately before 1893, the reduction is to the extent of 7,000,000 or 8,000,000 tens of rupees?—Yes.

451. Of course, as that extra quantity of silver has not been imported, India has not had to pay for it, and I presume that means a corresponding reduction in the demand for exports from India? To that extent, do you think it may be said that the Indian exporter suffers?—I would not say that he suffers.

452. There is not the same demand for his produce as a whole, that there was before?—No, but he has not been obliged to produce the stuff; he has saved his raw material.

453. But, so far as the tea producer, or jute producer, is concerned, there has been, *in fact*, a less demand?—Yes.

454. Now, I am going to put a hypothetical case to you. Suppose the Government of this country imposed on India a tribute of 10,000,000*l.* a year, and that the Secretary of State, instead of drawing on India for 17,000,000*l.* had to draw 27,000,000*l.* That addition of 10,000,000*l.* would have to be paid for by India?—Undoubtedly.

455. The necessity for paying this additional sum would stimulate the demand for Indian produce, tea, jute, and cotton, and I should imagine that the producers of tea, cotton, and jute, having a greatly increased demand for their products, would make a larger profit?—They might.

456. I think that would be accepted—that if there is a larger demand there would be a larger profit?—Yes.

457. But would the payment of that tribute be on the whole a good thing for India?—Certainly not.

458. India would have to pay the tribute, although there might be some extra profit to the actual producers of articles for export?—It would not be a good thing for India.

459. It would not?—No.

460. (*Sir A. Dent.*) I think a good deal of the ground that I had proposed to go over with regard to tea has been covered by yourself and Sir John Muir, but I should like to point out, as regards Ceylon, that this tea industry is a matter of vital importance to them. You admit that it is of extreme importance to the tea industry in Ceylon, as to how they will be effected in regard to this matter of exchange?—Exactly.

461. The tea that is now coming into bearing was planted, you admit, in 1893 or 1894, that is the tea they are picking now. Then silver was about 33*d.*, and exchange averaged for those two years about 1*s.* 1½*d.* I want to point out to you the serious position that Ceylon is in now, having planted that tea at 1*s.* 1½*d.*, and now having to finance it at 1*s.* 4*d.*; that makes a difference to them of something like 15 per cent, in exchange alone?—Yes.

462–3. I am rather astonished that your opinion does not appear to be affected by what you know about Ceylon. You have given us the imports of tea from Ceylon; will you add to the table the exports of tea from Ceylon, as well as the exports of tea from India*?—Yes.

464–5. I think you will find that Ceylon exports very largely to Australia and other countries?—Oh yes, and also to India.

(*Chairman.*) We shall get all this from Mr. O'Conor.

466. (*Mr. Holland.*) You admit that a great volume of opinion has been quoted from those engaged in the tea trade which is adverse to your contention?—Yes.

467. Do you not think, as a general rule, those engaged in a trade may reasonably claim to be the best judges of their own interests?—I do not know that my answer to that question would be worth anything.

468. (*Mr. Le Marchant.*) Has there been a considerable area of increase of planting in recent years, as well as an increased output from existing gardens?—There has been a considerable increase in area in recent years. I shall be able to give you the figures, I think.

469. You would infer from the fact that they are increasing the area of cultivation the planters thought they had a reasonable prospect of profit before them?—I should think so.

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* The witness subsequently handed in the following figures:—

EXPORTS OF TEA FROM CEYLON.

	Quantity.	Value.
	Lbs.	£
1884	2,393,023	116,661
1885	4,373,754	213,322
1886	7,851,562	382,996
1887	13,824,701	587,967
1888	23,820,724	894,270
1889	34,346,432	1,227,885
1890	45,799,518	1,717,482
1891	67,720,544	2,222,080
1892	72,282,524	2,100,711
1893	82,269,353	2,502,788
1894	85,376,322	2,545,282
1895	98,581,061	2,721,248
1896	110,095,193	2,505,813

470. Even with the mints closed?—Even with the mints closed.

471. (*Sir F. Mowatt.*) Will you explain what you meant when you used the expression just now "recent years"?—Since the closing of the mints.

472. Do you think it possible that the larger output may have had some bearing on price and profit? I have no doubt whatever that the decrease that has taken place in the profits of some gardens has been owing to the fall in the price of tea in this country.

473. (*Sir. J. Muir.*) In consequence of that last answer, I should like to ask you this: As to the increase in recent years, and as to those who extended their area of planting (of whom I am one) expecting to make a profit, undoubtedly we did, but we went on the rate of 1*s.* 1*d.* and 1*s.* 1½*d.*, and at these rates we should be all right. What it would be at 1*s.* 4*d.* we cannot tell. Then, as Sir David Barbour put a hypothetical case to you, perhaps I may be allowed to put one to you. Would not it be an advantage to India if her exports exceeded her imports?—No, I do not think so. She must get something back for what she gives away.

474. How do you account for the United States being so prosperous, where the exports are enormously in excess of the imports?—Would you say that?

475. Yes; I think I can prove that. Is it not your experience and reading, that if the exports of a country exceeds its imports, it is an advantage to the country?—I do not consider that that is so.

476. My notion is that we should endeavour, by all means in our power, to increase the exports of India?—I agree with you that it may be an advantage to increase the exports of India; but I understood you to say, generally, that it is an advantage to a country to export more than it imports. There I do not agree with you.

477. Now take this specific case. We know that England has given a guarantee of the Greek loan, and in that way Greece is enabled to borrow money at very much less than she could have done otherwise. Would it not be an advantage if England were to guarantee a loan to India——

(*Chairman.*) I think we must keep to the tea industry.

478. Now, can you tell us what was the Bank of Bengal rate from 1891 to 1893?—For 18 months—that is, from June 1891 to January 1893—the Bank of Bengal rate was never above 5 per cent.; while for some time it was down as low as 2 per cent., a rate they had never before been touched in the history of the Bank. Then, with the exception of a short period in the busy months of 1893 and 1894, we had a low bank rate in Calcutta through both these years, while in 1896 the rate returned to about its normal condition, showing that the surplus loanable capital had at last got worked off. In 1897 we had a higher range of rate, and this has continued up to the present time.

479. What is the lowest rate the Bank of Bengal has ever known?—Two per cent.

480. When was that touched?—In 1891.

481. At that time it was a low rate of exchange?—From 1891 to 1893 the rate of exchange was from 1*s.* 2½*d.* to something like 1*s.* 4*d.* I will get the figures for you.

482. There is no doubt it is a high rate?—It is.

483. Do you attribute that in any way to the closing of the mints and the contraction of the currency?—It has been asserted that the recent high rates of discount in India are directly attributable to the closing of the mints and the contraction of the currency, but I dispute that contention.

484. Will you tell me the reason why you dispute it?—I attribute the present high rate of interest in India, and the high rate of discount in India, almost entirely to the scarcity of loanable capital.

485. Why is there now a shortage of loanable capital in India?—Owing to the want of confidence on the part of English capitalists; owing to their want of confidence in the currency policy of the Government of India.

486. You mean by that the rate of exchange?—The rate of exchange.

487. Is this what you mean; that people now with capital in India remit it to this country in order to take advantage of the high rate of exchange, and that people in this country do not remit capital to India because they fear it would have to come back at a low rate of exchange?—That is my point.

488. And that is in your view one of the great causes of the present crisis—the difficulty arising from the want of a stable rate of exchange?—That is so.

489. Would you hold that opinion totally irrespective of the rate at which the exchange was fixed. Do you regard the difficulty as due, not to a low or high rate, but to the absence of a fixed rate?—A fixed rate—a stable rate is what is wanted.

490. And if there was a stable rate you believe that capital would flow to India—if the capitalists of this country had a reasonable assurance that their capital would come back at a reasonable rate?—Exactly.

491. (*Lord Balfour of Burleigh.*) Yesterday, in the course of the early part of your examination, you said that in 1893 the feeling about the closing of the mints in the Chamber of Commerce of Madras was divided; some were doubtful as to the expediency of it, some were in favour of it, and some were opposed to it?—That was my impression.

492. Have you any means of telling whether there has been any change of opinion, and if so, in what direction, on the part of the Chamber of Commerce at the present time as to whether the policy was a wise one?—The last movement I saw on the part of the Chamber of Commerce of Madras was, urging on the Government of India to take steps to make the gold standard of India effective.

493. That does not quite answer my question. What I wanted to get at was whether, with the knowledge that the Chamber of Commerce of Madras has got, it thinks that the Government of India in 1893 were right or wrong in the steps they then took?—I have seen no expression of opinion on that point.

494. Do you give the same answer with regard to the mercantile community of Bombay?—I understand that all the chambers of commerce, at least, the Madras and Calcutta Chambers, are in favour of the Government taking steps to make this scheme effective; the Chamber of Commerce at Bombay, on the other hand, urge that either the Government should take steps to make the scheme effective or that the mints should be re-opened.

495. I quite understand the argument you urged in answer to Sir Henry Fowler, that everybody wants to know where they are, but are you able to say whether the commercial classes—those represented by the chambers of commerce—are or are not satisfied that the step taken in 1893 in closing the mints was, or was not, a wise one?—Well, I have been away from India for some time; I should not like to express an opinion as to that.

496. You know that the United Planters Association of Southern India were opposed to the policy of 1893?—I understand they are still opposed to it; they would still like to see the mint re-opened; but my impression is that the commercial community, as a whole, would not like to see the mints re-opened.

497. Do you say that, as a class, the planters are more interested in Indian trade?—The planters are thoroughly imbued with the impression that it is a bad thing for India to have the mints closed; they want to see the mints opened, and they want to see free coinage. They are honestly afraid of the competition of China, if China remains on a silver basis.

498. Does that apply to the producer irrespective of whether he happens to be a native or European?—I think there are practically no native tea planters.

499. But there are native agriculturists?—No, practically there are no native producers of tea.

500. You are confining yourself to tea; I have passed from tea, and I am asking you whether that

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opinion, be it right or wrong (I am expressing no view about it), was not also held by everyone who was a producer, an agriculturist, a cultivator — whether he was European or native?—Practically, apart from tea, coffee, and indigo, there is nothing cultivated by Europeans in India; the other productions of India, such as jute, cotton, wheat, and cereals of all kinds are entirely in the hands of the natives.

501. And so with sugar?—Yes.

502. Entirely?—Entirely.

503. What is the opinion of the growers of cotton and wheat, say, on the subject?—They have no opinion on the subject, they do not know anything about it.

504. Are there no people among them of sufficient intelligence to watch the effect of these matters?—No, there are none.

505. (*Sir F. Mowatt.*) You are speaking of the local producer?—Yes; there are no native producers of sufficient intelligence to know anything about the effect of the closing of the mints. I think the members of the Committee who know India will bear me out in that.

506. (*Lord Balfour of Burleigh.*) Does nobody speak for them, whether they speak for themselves or not?—The only people to speak for them are the Government of India.

507. Have you any reason to doubt that if this policy has been prejudicial to the interests of the indigo and tea planters (I put it hypothetically) the producers of these other articles must also suffer?—I think it has been put forward by the growers of tea that they suffer more than the others, because——

508. I will assume that everybody puts forward his own interest, and that he is the worst used person in the world?—But I wish to explain why; because they have competition from a silver-using country. I think even the tea planters do not say, for instance, that the producers of jute suffer in the same way as they do, because jute grows in India only, and nowhere else, and therefore they do not suffer in competition with silver-using countries.

509. To put it in another way, you are, of course, aware that the agriculturist in this country dislikes a low exchange upon India, because he thinks that wheat is brought home here on too favourable terms?—I think he is under a misapprehension.

510. But that is his opinion?—I daresay that is the opinion of the man in the street: I do not know.

511. But what criticism do you wish to pass upon it?—Well, I should like to say that India made a large export of wheat when exchange was very materially over 1*s.* 4*d.*; I think it was something like 1*s.* 6*d.*, or perhaps a little over.

512. Will you give me the figures for the export of wheat for the same years for which you have given the exports of tea?—Yes, I will do that.*

513. Do you suggest to us that there is no means whatever of getting at a genuine statement of what really is the interest of the producers of these articles which you say are produced by natives, except through the Government of India?—I do say that it is practically through the Government and through the Government officials.

514. You would, of course, agree with me that theirs is an interest which ought to be, at any rate, largely considered in any policy?—Undoubtedly, I quite agree.

515. And, therefore, it is undoubtedly a matter of importance in our inquiry to find out, beyond all possibility of reasonable doubt, what their interest really is?—No doubt.

516. Now, in giving us these 13 objections, where were your statements taken from?—They were taken from what I heard, but I think mostly from the objections put forward by the witnesses before the Herschell Committee.

517. Do you put them forward as an exhaustive list of all the objections that were taken?—I think other objections have been taken. I do not put them forward as a complete list.

518. If that is so, why have you not taken an exhaustive list of them?—These are the principal objections that have been put forward to the closing of the mints. I am not aware that there were any others seriously put forward.

519. You put before us a statement relating to the importations of silver immediately previous to the year 1893. Your statement is: "The peculiarity, to "my mind, with regard to a large portion of this "silver is that it was imported in consequence of "speculation." I do not dispute the statement. I think, *à priori*, it is highly probable; but how do you know it? I ask that in order that we may judge as to the definiteness of it?—Well, I was in Calcutta at the time, and I heard a great deal about it. I think there is no doubt about that having been the case.

520. You base it upon your personal experience of what you saw and heard going on when you were in India?—I do. I should like to put in a table showing the gold and silver production of the world for 20 years ending 1896; and it will be observed that, despite the fall in price which has occurred during the last four years, the output of silver has been maintained. (*Witness put in the following Table.*)

——	Gold.	Silver.
	Fine Ounces.	Fine Ounces.
1877	5,512,196	62,679,916
1878	5,761,114	73,385,451
1879	5,262,174	74,383,495
1880	5,148,880	74,795,273
1881	4,983,742	79,020,872
1882	4,934,086	86,472,091
1883	4,614,588	89,175,023
1884	4,921,169	81,567,801
1885	5,245,572	91,609,959
1886	5,135,679	93,297,290
1887	5,116,861	96,123,586
1888	5,330,775	108,827,606
1889	5,973,790	120,213,611
1890	5,749,306	126,095,062
1891	6,320,194	137,170,919
1892	7,094,266	153,151,762
1893	7,618,811	165,472,621
1894	8,764,362	164,610,394
1895	9,641,357	167,288,739
1896	9,817,991	165,100,887

521. Then, a little further on, you say:—"With "the exception of a short period in the busy months "of 1893 and 1894, we had a low bank rate in "Calcutta through both these years, while in 1896 "the rate returned to about its normal condition." What do you regard as its normal condition?—Something like 6 or 7 or 8 per cent.

522. Why do you fix that as its normal condition?—That is pretty well what it has always been in Calcutta, 5 to 8 per cent.

* The witness subsequently handed in the following figures:—

EXPORT OF WHEAT FROM INDIA.

Year.	Quantity.	Value.
	Cwt.	Rx.
1884-85	15,880,754	6,309,140
1885-86	21,060,519	8,662,350
1886-87	22,268,320	8,625,864
1887-88	13,538,169	5,562,373
1888-89	17,610,081	7,522,676
1889-90	13,799,224	5,791,377
1890-91	14,320,496	6,042,426
1891-92	30,303,425	14,380,462
1892-93	14,973,453	7,440,383
1893-94	12,156,551	5,193,885
1894-95	6,887,791	2,565,271
1895-96	10,002,912	3,913,896
1896-97	1,910,553	836,395
1897-98	2,893,597	1,341,696

523. I see you have a diagram in your hand; possibly it would be convenient to put that in?—Very well, I will put that in. (*Witness handed in a diagram.*)

524. Then you say, "I put in the figures showing "the Bank of Bengal rates from 1861 to 1898," but I do not think we have got those figures?—The diagram gives it.

525. Then you commit yourself to a statement of fact; you say at the present time there is a scarcity of loanable capital. How do you know that?—To begin with, as I have stated before, some of the exchange banks in India have transferred their capital from India to England within the last few years.

526. Is it possible to obtain any statistics which would support the statement, which seems to me a very important one?—I think so; I think I could put in a statement as to one or two banks, at any rate, who have done that; and I know for a fact, too, that several men, having retained capital in India for many years back, have transferred it to this country, taking advantage of the 1*s.* 4*d.* or 1*s.* 3*d.* or 1*s.* 3½*d.* rate of exchange. Having no confidence in the policy of the Government of India, they thought the best thing they could do would be to get their money out of the country and bring it home.

527. And your own knowledge confirms the impression which that information has made on your mind?—It does.

528. You have no doubt in your mind that that has been the process that has been going on?—Undoubtedly.

529. (*Sir David Barbour.*) Of course there is a great deal of tea ground that is now coming into bearing which was planted when exchange was at a very different figure?—Yes.

530. And, in some cases, the ground may have been planted when the rate was 1*s.* 6*d.* or 1*s.* 5*d.* In those cases it would be no hardship on the planters if the rupee remains at 1*s.* 4*d.*?—I should think not.

531. Their expectations, at any rate, have not been disappointed?—No.

532. In answer to the Chairman, you said that the mercantile public in Calcutta were not aware of the policy of the Government of India as regards coinage until the Bill was brought in and passed in one day—on the 26th June 1893?—Yes.

533. But is it not the case that the public were well aware that the question was under consideration?—Oh, yes.

534. They knew perfectly well that the Herschell Committee had been appointed?—Yes.

535. What they did not know was the details of the policy that had been determined upon?—That is what I meant to say.

536. No notice was given to them by the Government until the Bill was brought in and passed in one day?—No.

537. Of course the justification for that was this, was it not, that if it had been known that the mints would be closed on a certain date, the mints would have been deluged with all the silver that could have been brought in?—No doubt.

538. Then you made a remark to the effect that prices rise and fall in India irrespective of the currency. I do not know whether you want to say that absolutely?—No, I do not. I say that, so far as India is concerned, the connexion between the currency and prices, whatever it might be in this country, is impossible to follow.

539. Do you mean that prices rise and fall without any regard to the quantity of currency?—What I mean is, that you cannot trace the effect of it in three or four years.

540. Then you said that the price of opium had fallen, you thought, owing to the fall in exchange in China?—It may to some extent be attributed to that.

541. It may arise from that; I daresay it does to some extent; but I do not know whether you are aware that for many years the Indian opium trade has been a threatened trade on account of Chinese competition?—I am aware that it has been a dying trade for many years.

542. Might that account for some proportion of the fall?—No doubt.

543. Now there is the evil that is said to arise from the fact that the natives cannot get the old rupee value of the silver which they have hoarded?—Yes.

544. I think that possible evil was foreseen before the mints were closed; it has not come as a surprise on the Government of India?—It was considered at the time; it was considered by Lord Herschell's Committee.

545. You were present in Council when the Bill was passed?—I was.

546. It is quite sufficient to know that it was considered at the time?—Yes.

547. So far as the natives have hoarded gold no difficulty arises?—No.

548. So far as they have hoarded coined rupees no difficulty arises?—No, they will gain by any appreciation that takes place.

549. They would not see the gain on the coined rupees, but there it is?—Exactly.

550. They might not see it?—They might not see it.

551. I do not know whether it is your opinion that the bulk of the hoarding is in the form of ornaments, and not in bar silver?—That is so.

552. Of course, no man sells his ornaments unless he is in want?—No.

553. And if he gets a lower price for his ornaments now, that is inevitable if you are to have a gold standard, and so far it is an evil; you cannot help that?—Quite so.

554. It is an undoubted evil; the only question is what is the magnitude of the evil?—Undoubtedly.

555. Then you say that the Government of India proposed that, "if it became evident that the Inter-"national Conference was unlikely to arrive at a "satisfactory conclusion, and if a direct agreement "between India and the United States could not be "made, the Indian mints should be closed to the free "coinage of silver, with the view to the introduction "of a gold standard." I think that no attempt was made to bring about a direct agreement between India and the United States?—I believe not.

556. I have never heard of any; have you?—No, I have never heard of it.

557. Now the exchange was very low before the mints were closed; it had fallen considerably?—Yes.

558. But there was a great future danger, and that was the closing of the United States mints to silver, or rather the cessation of the purchases of silver by the United States?—The repeal of the Sherman Act; that was the great danger.

559. And, of course, there was the further fear that if the United States ceased to purchase silver, other nations would try to exclude silver too?—Undoubtedly.

560. In other words, that one exclusion would lead to another?—Yes.

561. Then is it the case that in 1893, when the present policy was adopted, there was a very serious position before the Government of India?—There was.

562. You say the Herschell Committee "proposed "one modification in the Government of India pro-"posals, viz., that, instead of the Government taking "power to declare the sovereign to be a legal tender "at a fixed rate not exceeding 1*s.* 6*d.*, the result of "closing the mints should be awaited, and that they "should be guided by the experience thus obtained "in deciding on future action." Now, to the best of my belief, I do not know whether it is yours, the Government of India proposed to close the mints and to await the result before taking any further action; and if you look at the Report of the Herschell Committee you will find a quotation which shows that to be the

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case. The point I want to bring out is that it never was the intention of the Government of India to close the mints to silver and to fix the rate at once. If you look at the Report of the Herschell Committee, on page 16, you will see a quotation there of what I said in reference to this matter?—I rather took this from your own speech.

563. That was after the Report of the Herschell Committee?—The proposal was: "That instead of "the Government taking power to declare the "sovereign to be a legal tender at a fixed rate not "exceeding 1*s.* 6*d.*, the result of closing the mints "should be awaited."

564. I only want to bring out the facts, because on your evidence it might appear that the proposal to await the results of the closing of the mints, originated with the Herschell Committee, whereas it was part of the original proposal of the Government of India?—That I quite admit.

565. The proposal of the Government of India was to await the result, and that was made before the Herschell Committee sat. That, I think, is admitted now?—That is correct.

566. Then I think I am right in saying that the modification made by Lord Herschell's Committee was this: That the ultimate rate was not to be limited to 1*s.* 6*d.*; it might be 1*s.*, or 1*s.* 8*d.*, or anything, but a temporary provision was put in to the effect that rupees would be issued at 1*s.* 4*d.*, the object of that being not to fix a permanent rate, but to prevent any sudden and large rise in exchange?—That is so.

567. Many people believe that the Government of India is committed to a rate of 1*s.* 4*d.* In reality the Government of India have it still open to them to declare any rate they like?—That is so.

568. I believe the public took up the idea that 1*s.* 4*d.* was to be the rate for all time, but in fact it was merely a temporary rate?—It might be raised, of course.

569. But, so far as there has been any pronouncement by the Government of India, or by the Secretary of State, the rate is still a perfectly open question?—It is. The rate, I take it, above 1*s.* 4*d.* is an open question.

570. Above or below?—Just so.

571. You said that the high rate of discount was due to the scarcity of loanable capital in India, in your opinion?—I believe so.

572. There are other people who believe it is due to the scarcity of currency?—There are.

573. And I daresay you are aware that the distinction between currency and capital is a distinction that it is difficult to draw in all cases?—It is.

574. You say that capital has been sent home from India by the banks and others?—Yes.

575. And the reason of that was that some persons feared that there might be a further fall in exchange?—Precisely.

576. If the public had confidence that there would be no further fall in exchange, but that the exchange would be fixed, then you would say that capital would remain in India, and that capital would go to India?—That is so, both banking capital and private capital. You can lend money out in India now at 8 to 10 per cent.

577. As you have already said, it does not matter, in this connexion, what the rate is, so long as it is fixed?—Precisely.

578. But you say that people will not send their capital to India unless they have confidence?—No, certainly not.

579. You might put forward a thoroughly good scheme, and yet it is quite certain that unless people had confidence they would not send out money to India?—Precisely.

580. And even they would probably wait for a few years to see whether the scheme was successful or not?—Yes, I think so.

581. You think capitalists would probably do so?—Yes, a capitalist is proverbially timid.

582. They would wait to see how things turned out?—Yes.

583. Now, is the high rate of discount in India a very serious evil?—I think there is no doubt that the high rate of discount is a considerable evil, especially when it is rising.

584. It is a greater evil, I have always understood, when people do not foresee that a high rate is coming?—That is so. When it is expected it is arranged for, but when it is rising it takes some time to make the necessary adjustment.

585. If you know of it you can arrange for it; if you do not know you may be taken by surprise?—That is so.

586. If there is a very high rate of discount or interest for loanable capital in India, people will be prepared to take a certain amount of risk as regards the loss by exchange, in consideration of the higher rate of profit?—No doubt.

587. I believe it is the case that a great deal of loanable capital was sent out of India on account of the loss by exchange?—There is no doubt of that.

588. If it were known, or believed, that in the course of three months the Indian mints would be open to the coinage of silver there would be a strong desire to get money out of India?—You would see very large remittances home.

589. If people knew of it before?—Yes.

590. Now you are aware that in addition to paying for her imports, India has certain other payments to make in this country; there is interest on capital invested there, profits on tea gardens, jute mills, and so on. There are also the drawings of the Secretary of State. I do not say that India does not get full value for them. Mr. Hardie said, in his evidence before Lord Herschell's Committee, that the total payments amount to 22 millions sterling a year. That, of course, includes the Secretary of State's drawings and all profits?—I should say that is underestimated.

591. Those 22 millions sterling at 1*s.* 4*d.* the rupee would be 33 crores of rupees. The borrowing by the Government in this country and by railway companies up to the end of last year came to something over 27 millions sterling (that is since Mr. Hardie made his estimate), and by the end of the present year it will be 33 millions sterling. The interest on that would be probably three-quarters of a million more. Therefore if you take 33 crores of rupees as the amount which has to be remitted from India every year on account of these special payments, that is not an excessive estimate?—I think not. That is, of course, provided there is no money going out on capital account.

592. That is a special case, and the one thing might be adjusted against the other; but the payment that she has to make is 33 crores?—Yes.

593. The only way India can pay, is by excess of exports over imports. Has there been a surplus of exports over imports of this amount in recent years?—No, there has not.

594. The figures you gave us do not show a surplus of 33 crores. I think, in the year 1897–8, you have put the surplus at 26 crores?—28 crores.

595. And you have to take from that 10 millions on account of gold and silver, which are excluded from your figures?—Less than that, I think.

596. The imports of gold are given here for 1897–8 at Rx. 7,281,000 and the exports at Rx. 2,372,000, or an excess of nearly 5 millions, and in silver the excess is over 8 millions. You have got to deduct 13 millions, therefore, from 28 millions. Therefore all that India exported in order to meet that debt of 33 millions in 1897–8 was 15 millions?—That is so.

597. That means that there was a deficiency—of course it was due to special causes, but there was a deficiency—of 18 millions?—Yes, 18 million tens of rupees.

598. What would that be per week; that would be nearly 35 lakhs per week?—Yes, about that.

509. Do you think that if in the year 1897–8 the Secretary of State had drawn 35 lakhs a week more than he actually did draw, he would have got the exchange he did get?—No, I do not think so, there might have been some loss.

600. The exchange might have been to some extent lower?—Yes.

601. Therefore the exchange of 1897–8 is to some extent an artificial rate?—Perhaps so.

602. You will admit that the question of what the normal rate of exchange would now be under ordinary circumstances is of great importance?—Yes.

603. If it were the case that the normal exchange is now 1s. 4*d*., the Government of India would have got over the preliminary stage at any rate?—Yes.

604. On the other hand, if the rate is likely to fall seriously, there would be difficulties to meet?—No doubt.

605. I would like to try to enumerate the special causes that affect exchange at the present time and that have affected it since the mints were closed. The first is that the imports of silver into India have been reduced?—Yes.

606. That affects the balance of transactions with India. Now, last year the imports of silver into India were very high, but they had before that been reduced by about Rx. 6,000,000?—Yes.

607. And that reduction must have a great effect, but that effect has had time to come into full operation. The reduction has now been in operation for some three or four years?—Yes.

608. We cannot expect any further rise in exchange from that cause. There might be a further reduction, but I think it is improbable. Therefore we cannot look for any rise from that cause. Do you agree with me there?—I think so. It will probably be less marked in the next few years at any rate.

609. Then there has been another influence at work; that is to say, there has been very little addition to the Indian currency since the mints were closed?—Yes.

610. There have been about two crores of rupees coined from silver taken over from the banks, and there is an addition of two crores from the currency reserve; but with that exception, I think there has been no addition to the Indian currency since the mints were closed?—That is all.

611. It is a matter of inference, and most people would draw the inference, that that limitation of increase would have had some effect in raising the general value of the rupee in India?—No doubt.

612. I believe that there are men who hold that the quantity of money has nothing to do with prices, but the majority of men hold that it has, and, if it has something to do with them, that restriction must have had some influence in the direction of lowering prices in India. Now in this despatch of the Government of India I think that is the only influence that they refer to?—I propose to defer my evidence as to that point till later on.

613. You are aware that there has been considerable borrowing by India in England in recent years, and that also has affected exchange?—Yes.

614. Borrowing in England has very much the same effect as a reduction of the drawings of the Secretary of State?—Yes.

615. Because it creates a special demand for an equivalent amount of his bills?—Yes.

616. And that of course favourably affects exchange more or less?—No doubt.

617. Then there is another influence, which I suppose is over now, but which had some effect in putting down exchange, and that is, the remittance of capital from India to this country?—Undoubtedly.

618. We cannot say what amount was remitted; but there has been since the mints were closed an adverse influence to a rise in exchange?—Yes.

619. The effect of the famine would be to reduce exports, and probably imports too, but, on the whole, I imagine it would reduce exports more than imports?—I should say so.

620. And if so, it would be in the direction of bringing down exchange?—Of lowering exchange, yes.

621. The last harvest in India has been an unusually good one?—It has.

622. And that would increase the exports, naturally?—Yes.

623. That would be a favourable influence?—Yes.

624. That is rather a special stimulus?—Yes, and the higher the prices——

625. I am coming to that. I suppose you would admit that the war between Spain and America has been beneficial also?—It has caused the price of wheat to rise, and no doubt has helped the exchange.

626. That has affected the exchange in India?—No doubt.

627. There is one question which I do not know whether you would like to answer now. You know the exchange fell some time after the closing of the mints, and it has risen since; and we know certain causes that have affected exchange—some in the direction of raising it and some in the direction of lowering it. There is one cause that the Government of India lay stress upon, and that is the rise in the value of the rupee owing to the restriction of the currency?—Yes.

628. Do you think it is fair to rely on that alone and leave out all other possible causes?—No, I certainly think that other influences have combined; but there have been adverse influences which may have counteracted the favourable influences.

629. But what I mean is that there are a number of influences acting on the exchange at the present time, some favourable and some unfavourable, and it is not quite safe, is it, to rely on the contraction, which is, after all, a doubtful contraction, in the currency of India?—Possibly so.

630. And furthermore, if you rely on that contraction of the currency—if it has increased the value of the rupee—it has only done so by lowering prices in India?—Unless it so happens that prices on this side are also higher; but even then they must have been lower than they otherwise would have been.

631. And I think you said yourself that you cannot trace in the prices of India that fall that would, or might, have been produced by contraction?—No, I do not think you can.

632. There are a number of real causes acting on exchange, and there is this which may be a real and very important cause, but it is a matter of inference, and we cannot trace its effect on prices, and, therefore, do you think it would be safe to rely altogether on it?—I think to rely on it as the one factor would be altogether unsafe.

633. It is not safe to say that is the only factor?—No.

634. We cannot trace its effect on prices, and we know there are other causes; we cannot, therefore, put aside all other causes and say this is the only cause?—Do not the Indian Government also point to something in the paper currency? I am not quite sure.

635. I think what you refer to had reference to the question of loanable capital. When there was a large quantity of loanable capital in Calcutta, the banks which held rupees sent the rupees to the currency department and kept notes?—Of course there may have been a considerable contraction of the currency which is not apparent in prices, and a considerable amount of hoarding may be still going on.

636. But if there is a contraction of the currency affecting the value of the rupee, it can only show itself in prices? That is the important question?—It may have been there in prices, although it is not apparent.

637. I do not say it is not there; I merely say that you are not able to put your finger on the prices and say there it is?—No, and probably you will never be able to.

638. You may assume or infer a contraction in currency, but you cannot prove it, and you may

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assume or infer that there has been a fall in prices, but you cannot prove it?—That is so.

639. Now, let us look at the matter a little further. Exchange was 1*s.* 1*d.*; it is now 1*s.* 4*d.*; that is a difference of 3*d.* Now, you may take it from me that the fall in general prices corresponding to that, if there was such a fall, would be 18 per cent., which is very considerable?—Yes.

640. It would mean that the burden of debt in India—the burden of debt at 1*s.* 4*d.* as compared with 1*s.* 1*d.*—would be increased some 20 per cent.?—Yes.

641. You have not seen any evidence that there is such a great increase in the burden of debt in India as that?—No.

642. Probably there may not have been a general fall of prices to that extent. But that is what it would mean—a fall of 18 per cent. in price means an increase in the burden of debt of about 20 per cent.?—No doubt.

643. If the mere stoppage of the coinage of silver, and the ceasing to pass rupees into currency, has raised exchange from 1*s.* 1*d.* to 1*s.* 4*d.* in three years, that is at the rate of 1*d.* a year, and the rise of another ¼*d.* would make the gold standard effective?—Yes.

644. You have only to wait for a year if things go on as they are supposed to have been going?—That is so.

645. And if that is the case, it would not seem to be necessary to take any violent measures?—No doubt.

646. If in three years a contraction of the currency causes a rise of 3*d.*, and if a further rise of ¼*d.* would bring in any quantity of gold, no very drastic measures seem necessary?—No.

647. I do not know whether you would care to answer this question or not—whether these proposals of the Government of India are approved by the Secretary of State in Council?—I am not authorised to answer that.

648. I daresay you will recollect that when the mints were closed the banks were importing a large quantity of silver, and that for several reasons the Government agreed to take that over, and save them a certain amount of loss?—Yes.

649. The Government of India proposed to sell that silver, and the Secretary of State refused, and the silver had to be passed into the currency?—Yes.

650. The correspondence is all here. I do not know whether you recollect the reason he gave?—I think he said it would give another blow to silver.

(*Chairman.*) We can get that best from Mr. Finlay.

651. (*Sir David Barbour.*) I believe that since the mints were closed two millions were added to the currency out of the paper currency reserve?—That is so.

652. And the proposal now is to reduce the currency by six millions?—That is so.

653–4. If those four millions had not been added to the currency it would have been sufficient to reduce the currency now by two millions?—Yes.

655. So that, in fact, the Government of India has increased the currency since the closing of the mints, and is now proposing to reduce it?—To reduce it if necessary.

656. As far as may be necessary?—As far as may be necessary only.

657. I believe, when the mints were closed, an attempt was made to keep up exchange by stopping Council bills?—Yes. There was great pressure put on the Secretary of State and the Government of India, and that was tried and it failed.

658. It led to considerable borrowing?—It did.

659. To meet the requirements for the time being of the Secretary of State?—Yes.

660. I do not think that money was ever repaid?—I do not think we have reduced the sterling debt since then.

661. In the establishment of a gold standard the increase of the sterling debt is a serious matter, and I think it would be fair to say that borrowing that begins as being temporary may and generally does in the case of India end by being permanent?—I am afraid that has been the case mostly.

662. And, of course, if we had another famine or a great war, we should have to borrow still more?—Possibly—I think so.

663. There is a risk of it, at any rate?—Yes.

664. That is to say, borrowing or not borrowing in sterling is not always at your option; there may arise circumstances which force you to borrow?—No doubt.

665. Do you not think that the increase of those gold liabilities is an obstacle in the way of the establishment of a gold standard?—I think there is a great deal in that.

666. The more the Secretary of State must draw the greater the tendency in the exchange to fall?—That is so.

667. I do not say that the increase of debt may not have been worth more than it has cost; I am merely talking of the establishment of a gold standard?—Quite so.

668. Then there is the question of establishing a gold reserve. The Government of India propose to borrow for the purpose. Of course that may be the only way of doing it, but it increases the gold liabilities, does it not?—Yes, and you have to consider that if you succeed in establishing a gold standard you have less to pay as far as rupees go.

669. Do you think the Government of India is in a much better position now financially than it was a few years ago?—Yes.

670. Do you think it would be possible for the Secretary of State to establish a gold reserve, in this way, namely, by drawing half a million a year; that is to say, getting his reserve out of revenue instead of by borrowing?—No doubt that would be possible, but it would take longer to bring about. It might be sounder, but it would lengthen out this period of want of confidence.

671. But I think you have admitted that no scheme possible now is likely to produce immediate confidence?—That is so.

672. I admit that there is the objection that what I suggest would prolong the uncertainty?—Yes.

673. But it would be a safer and sounder view?—It might be sounder, I do not say it would be.

674 It has the advantage that you have not got to pay interest?—It has also the disadvantage that during the period of transition it requires more rupees to pay your sterling obligations, that is, if you succeed, and succeed speedily, and get over your difficulties speedily, you have the advantage of having the 1*s.* 4*d.* rupee.

675. You have; but, looking at that from the point of view of the despatch of the Government of India, they say that the 1*s.* 4*d.* is going to be permanent, and that there is no danger of a fall?—Except that they still fear the want of confidence.

676. But that want of confidence I do not think would bring down the value of the rupee; it might raise the rate of discount?—The want of confidence will no doubt raise the rate of discount, and to some extent also it will reduce the rate of exchange.

677. No one can doubt that if it were possible to establish a gold standard immediately, that would be the course?—That is what I maintain.

678. But there may be some doubt as to whether that scheme would succeed or not?—Yes, and that is a very serious question.

679. If you bought your reserve out of revenue you might prolong the agony, no doubt, but you might escape a serious failure?—No doubt.

680. And, at any rate, you would not have to bear the charge for interest?—Yes, that is true.

681. Of course the proposal to melt down Rx. 10,000,000 is a very big proposal?—That is so, but I think it is only "if necessary."

682. How would you determine whether it is necessary or not?—I think on the same assumption

as you yourself rather went on before; that is to say, if gold does not come *to* the mints, it is a sign that rupees are redundant.

683. The difficulty I feel is *this*: A reduction in currency would probably affect exchange, but we have very little experience of the effect of suddenly and largely reducing the currency. It might take a considerable time before prices and exchange were affected. You might reduce by 10 millions in one year and not get the effect of that for two or three years. You might effect a gradual reduction of prices, but such a reduction all over India would probably take a considerable time. Therefore it is impossible for anybody to say that you would get the effect of the reduction in a single year. Under those circumstances how could you say that the reduction of 10 millions would be sufficient or not? You would have to wait and see what happened. I am putting forward these difficulties because they ought, of course, to be considered?—I daresay you might have to wait.

684. I asked you whether you thought it would be possible for the Secretary of State to draw a certain amount every year in excess of his ordinary requirements, and you objected that that would prolong the uncertainty. Now I should like to ask you whether that reduction of currency could *not* have been carried out, or could not even now be carried out, gradually. I may tell you I always contemplated that it might be necessary to reduce the Indian currency; but the idea in my mind at that time was *to do it gradually*; to do it *at* the rate of a crore a year and let there be time for the effect of it to manifest itself throughout the country. But, I suppose, if a proposal of that kind were made now, you would raise the same objection?—Yes.

685. If it had been adopted in 1893 we might have had the whole effect of the reduction by this time?—No doubt.

686. (*Sir J. Muir.*) Do you not think that in India, owing to the increased population and the extension of trade, the country requires *more* currency?—But more is obtainable under the present rules. As much as is required is obtainable in return for gold.

687. That is a matter of opinion; but I think it is generally recognised that extended trade does require more currency in any country. Is that your opinion?—There is no difficulty about obtaining currency if they choose to pay for it. The Government, of course, will not give away currency for nothing.

688. The effect of the closing of the mints has been to reduce currency. If we had been allowed to send silver, and to get that silver coined, there would have been an increasing currency in the country to meet the legitimate operations of the extension of trade?—That silver had to be bought, and all that is now required is that, instead of giving the gold for the silver, you should give the gold to the Government of India.

689. I think it is generally recognised that increasing population and increasing trade requires an increase of currency?—Undoubtedly, to carry on the trade of the country.

690. Then do I understand you rightly to say that the majority of the chambers of commerce in Madras disapprove of the closing of the mints?—I think I said that the chambers in Madras, so far as I knew—it is a long time ago, and I have not refreshed my memory—were divided on the subject.

691. But they opposed it, did they not?—Possibly.

692. Suppose the question were now put before the Chamber of Commerce of Bombay; whether they approved or disapproved, have you formed any estimate as to what the result would be?—I have not.

693. Or the Chamber of Commerce of Calcutta?—As to Calcutta, I understand they do not want the mints re-opened; and I understand that that is the view in Bombay and Madras. I think practically all the chambers of commerce in India want to see the gold standard made effective. They do not want to have the mints re-opened.

694. I should like to test that by a vote?—That is my impression.

(*Chairman.*) On page 26 of the "Correspondence "respecting the proposals on currency made by the "Government of India" there is this passage in the letter of the Secretary of the Chamber of Commerce at Bombay to the Government at Bombay, dated March 2nd, 1898:—"My committee accordingly think "that the best chance of arriving at a solution of the "immensely difficult problem lies in appointment of "a committee of experienced financiers similar to "that which sat in 1893, and this measure therefore "they respectfully but strenuously advocate." That is what has happened. We are the committee appointed on that basis.

695. (*Sir J. Muir.*) We all know the great poverty of the natives of India and we all know that in London, Glasgow, and elsewhere, large sums were subscribed for them during the famine period. In that pinch, do you suppose that the natives tried to get something, in whatever way they could, upon their ornaments?—I have no doubt they did, but I question very much whether many of the natives who were brought to the pinch of starvation had many silver ornaments.

696. But you know that in the mofussil, and generally over the country, if a woman can get an ornament, she likes to have it, and when the pinch comes, she rather parts with that than starve herself or see her children starve?—No doubt.

697. I think that pinch impressed the natives more than some of our friends are inclined to allow. Do you agree with me?—I have seen no indication of it at all.

698. (*Mr. Hambro.*) You stated that you did not see any advantage in exports exceeding imports; but if exports exceeded imports sufficiently not only to pay the debt of India, but also to bring in, say, 5 million sovereigns, you would see some advantage in the increased trade of India?—I do not know what advantage the people would have from the 5 million sovereigns.

699. When the time came for payment of their debts it would give them increased currency in the country?—I do not know that that would be much advantage to them. It would enable them to buy other commodities, but if they imported 5 million sovereigns I suppose they would use them at some time to buy imports which they wanted.

700. Then you think the currency *is so* redundant that it does not want any increase?—The currency, I take it, is redundant, till we get to the 1*s.* 4*d.* basis.

701. Then you agree with the view that redundancy is the difficulty of the maintenance of the rupee at 1*s.* 4*d.*?—I think so.

702. Would it not be that the balance of trade being less, the rate of exchange would fall below 1*s.* 4*d.*, and yet the internal circulation might be inadequate for the wants of so vast a population?—All I can say is that I have seen no evidence of there being any shortage of currency. I have never seen any difficulty in obtaining currency when it was required.

703. But it would enable the grower, the poor man, to borrow money at a lower rate of interest, while his crops were growing?—If the loanable capital was increased.

704. If there is more currency, say more sovereigns in the country, if India is on the basis of a sovereign currency, if more sovereigns come into the country, surely there must be loanable capital?—On that point I am not disposed to think that the number of sovereigns in the country is an index of the amount of loanable capital.

705. Then do you think that the sovereign would be of any use in the hands of the people for currency purposes?—No, I do not think a gold currency is at all suitable to India; the transactions are so small.

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706. We have before us the minutes of the Herschell Commission, and we know the opinion you expressed then as to the hoardage of silver by the natives. Do you hold that opinion still, or are you more of the opinion that Sir David Barbour expressed the other day in the exactly opposite sense?—I have no doubt that, if we adopted a gold coinage in India, we might get gold out of hoard. If we took to coining gold in India, and made gold coins of a certain number of rupees legal tender, we might get gold out of hoard; and, in that case, I presume, we should restrict the rupee to a certain amount of legal tender.

707. But if there was more coin, whether it be gold or silver, the rate charged to the borrower would be less. What I want to get at is, whether these exorbitant rates charged to the borrower must not, to a certain extent, impede the small man, and whether that does not arise from the want of currency in the country?—My impression is that it does not arise from the want of currency in the country altogether; it may to a certain extent, but my belief is, that it is owing to an absence of loanable capital in the country.

708. But the preconceived idea about currency being redundant I always thought was, that people could always obtain coinage on a good rate of interest, and that the articles manufactured in the country itself would have a tendency to increase in value?—I do not know that that applies to India. It is not so far advanced as this country is.

709. But if there is more coin in everybody's pockets, and in the banks, surely the price which is charged for the borrowing of it on good security must go down?—I do not know how the coin is to get there.

710. I did not ask you that; I said if there were more coin in the country?—If a man has a thousand pounds, which he is able to lend this week, and only 100*l.* a month hence, he will doubtless be disposed to take a lower rate of interest this week than he will a month hence.

711. I asked you whether there was not more coin in the country. I was trying to keep distinct capital and coin. I was speaking of currency?—I should say that it is purely a matter of loanable capital, and that the connexion between loanable capital and currency or coinage is a very difficult one to decide.

712. At all events, you are prepared to say that you think that there is a sufficiency of currency in India?—There is a sufficiency of coinage in India for any man wanting to do an ordinary business, for any man requiring it to pay his way.

713. (*Mr. Holland.*) You admit that it is a matter of vital importance that public confidence should be established?—Yes, very important.

714. And I gather it is clearly your opinion that that confidence would be better obtained by having a gold standard rather than by remaining as now, or than by resorting to silver?—I should say that, if we can get the gold standard established within the next year, or two years, confidence will grow—will mature—sooner than it will otherwise.

715. I gather that in the year 1893, in your opinion it was then desirable to aim at a gold standard?—That was the object of closing the mints.

716. And does it appear to you that it is just as desirable now, in 1898, to aim at that standard as it was in 1893?—Even more so. I think that such measures should be taken by the Government of India as may be, after careful inquiry, considered prudent to make the gold standard effective.

717. And does it appear now, in the light of subsequent experience—apart from desirability—to be practicable to establish the gold standard, as you thought it was in 1893?—I think so.

718. Do you think that a gold standard is as suited to a poor debtor country as it is to a rich creditor country?—I think it is, with what is proposed in India, to have full legal tender rupees.

719. You tell us there has been a large transfer of capital from India. Am I right in supposing that in your opinion that transfer has been made because it was doubted whether or not the Government would go for a gold standard?—Yes.

720. Have you heard of people with large capital hesitating to send out their capital to India because they thought the Government was involved in an impossible task?—Yes, I think so.

721. Do you hold that the interests of India have not suffered from the closing of the mints?—I maintain that the interests of India have not suffered by the closing of the mints.

722. You said just now that, in your opinion, "such measures should be taken by the Government "of India as may be, after careful inquiry, considered "prudent to make the gold standard effective." I do not know whether the proposals of the Indian Government would be, in your opinion, in that category?—Well, I should like to reserve my opinion on them.

723. In the Report of Lord Herschell's Committee, an interval was suggested between the closing of the mints and the establishment of a gold standard. In your opinion has that interval been sufficiently long to justify our now going forward?—I think that that is a question which you would better get from me when I am asked my opinions on the proposals of the Government of India.

724. (*Mr. Campbell.*) First of all, with regard to what you call the speculative shipments of silver which you say went on in 1893. Is it possible that there may be another explanation than what you call speculative shipments. There were two influences strongly at work at that time. There was, first, on the one hand, the influence that the Sherman Act would be repealed, and also the possibility that the Indian mints might be closed. Both these influences tended to make holders of silver very anxious to get rid of it. Those who had silver wanted to get rid of it before there came the fall, which they thought to be inevitable. That was one influence. Then, on the other hand, there was this: that the Indian merchants were apprehensive that the closing of the mints might lead to a very great rise in exchange; that exchange would go up to 1*s.* 4*d.*, so that their anxiety was to fix their exchange and sell their bills to the utmost possible extent before the rise came. An operator in exchange at that time was able, on the one hand, to buy silver very freely, and on the other hand to purchase bills, and so close his transaction at a profit. Now you would call that perfectly legitimate, would you not?—Perfectly legitimate.

725. I think that is the explanation of what is called these speculative shipments of silver?—The only point that I should like to make upon that is this. You say merchants were anxious to sell exchange. I think a good many of them did a good deal more than sell exchange. I do not accuse the banks of doing it—not for one moment—I do not accuse the banks of having speculated to the extent of a thousand pounds.

726. I wanted to get that quite clearly?—Just so, I may not have made myself clear on the point. The speculation I referred to was on the part of merchants and others.

727. Now, with regard to the monetary question, you say that the stringency is mainly due to the want of loanable capital?—Yes.

728. With regard to that point there has been no fresh addition to the circulation since the closing of the mints. The Government in their despatch said that the average annual coinage while the mints were open was 7 crores of rupees?—Yes.

729. In the five years that have elapsed this means a stoppage of currency of 35 crores?—Not necessarily. You may take it that 7 crores that were coined every year—the whole of India's imports of silver—passed through the mints, but it was melted down again.

730. But I am going to allow for that. I say that means a stoppage in currency of 35 crores, and, making allowance for the melting down of the rupees

into ornaments, this must mean a starving of the currency during that period to a very large extent?—I maintain that it is impossible to say how much was melted down.

731. The Government estimate that of the 7 crores 3½ went permanently into currency and 3½ was melted down?—Yes.

732. (*Sir D. Barbour.*) May I ask whether any grounds were given for that estimate?—It is impossible to make any exact calculation.

(*Sir D. Barbour.*) Are there any reasons given for adopting that estimate?

(*Mr. Campbell.*) They do not give any reasons.

(*Sir D. Barbour.*) I am not aware of any reasons for saying that the addition was 3½ or 4 or 6 crores; I believe it is impossible to say.

(*Witness.*) I maintain that it is impossible to say.

733. (*Mr. Campbell.*) Still, there is a good deal of it added to the currency, and a good deal melted down?—Yes. There is one thing perfectly clear, that, before the mints were closed, the whole of the silver that was imported went through the mints, and practically the silver that was made into ornaments got the hall mark of the Government.

734. But, taking into account the shrinkage in various ways that has been going on, and the increased requirements of the population and of trade, the currency must have been contracting in relation to trade requirements during that period?—No doubt; but, owing to the circumstances I have explained, it got more redundant just before the closing of the mints.

735. (*Chairman.*) However, you admit it has been contracted?—Yes.

736. (*Mr. Campbell.*) Then you say the reason for the dearness of money is the want of confidence in the stability of the rupee?—Yes.

737. Now, a good deal of capital was remitted home when exchange touched 1*s.* 4*d.*?—And a good deal was remitted about 1893.

738. And years before that?—Yes. One bank, I know, as a matter of fact, remitted its capital at an average of 1*s.* 3⅝*d.*

739. That was after 1893?—That occurred in 1893. It was mentioned in the Report of 1894. The whole of its capital was transferred to this country. This is evidence of the loanable capital of the country having come out of India.

740. Without going into detail as to the process by which this transfer of capital is carried out, you agree that these withdrawals of capital have had some influence in preventing exchange advancing to gold point?—I do.

741. In other words, influencing currency in the direction of scarcity by preventing the natural addition which would otherwise have gone on?—None of that currency has, of course, come out of the country. For instance, a bank might remit its capital of, say, half a million. It did not send home that amount of silver. The bank bought merchants' bills for its remittances, and on realising these bills when due it kept the money there and did not, as in ordinary cases, buy the Secretary of State's bills.

742. It indirectly bought produce?—It bought bills drawn against produce.

743. And that produce went home, and there was no return back for it?—That is so.

744. Then take the native bankers and traders throughout the country by whom the large internal trade of the country is conducted. Would this want of confidence in the stability of the rupee extend to them?—I doubt it. It would extend to the speculative Marwari down in Bombay and Calcutta; I do not think it would have much effect up country.

745. They would not understand the difference between the exchange value and the intrinsic value?—I do not think the people up country know very much about it. The speculation I talk of is mostly done in the ports.

746. Would you think then, that there is any inducement to hoard rupees still?—I think there is as much as ever. The native is accustomed to do it from time immemorial; and I do not see why he should stop it.

747. But no one would hoard a thing that has fallen in value?—I do not think the native knows anything about falls in value. If the native gets a rupee in excess of his requirements, he either buys a bangle or ornament with it, or stores it away.

748. Then you still think there is plenty of currency for the purposes of trade?—My belief is that there is sufficient currency in the country to carry on the day-to-day transactions of the country; but there is a shortage of loanable capital.

749. You say that the mere fact of the high rate of interest is in itself no indication of a scarcity of currency?—I do not think it is in itself. They may be allied to some extent.

750. You recognise that there was a plethora of currency in 1893?—I think there was a plethora of currency in 1893, but that currency took the shape of loanable capital.

751. I would like you to define what loanable capital is?—I will explain what I mean. My opinion is that from 1892 to 1893 there was a considerable speculation in silver in India. A merchant sold bills for, say, 100,000*l.*; the banks bought silver against that, and had it coined, and kept it in the shape of currency notes in the Bank of Bengal until these bills were presented. They may have been sold for delivery several months ahead. The merchant had no bills to offer, but he put off the transaction for another six months, and then probably closed the transaction by buying and delivering a bank bill. In that way there was more currency left in the hands of the banks than there would be now for the ordinary legitimate requirements of trade.

752. Does that imply that the loanable capital lay in the banks in the shape of currency?—In the shape of currency. It was imported into India, and there it lay until it was worked off.

753. Then the rate went down to 2 or 3 per cent.?—It did.

754. Then if that is so, why should not a 12 per cent. rate and a shrinkage of the balances in the Presidency banks mean that currency is scarce now?—I have seen no evidence of the currency being scarce in India. I came home from India the other day. While I was in India I saw no evidence of scarcity of currency. I had no difficulty in getting any currency I required.

755. Then you said this in reply to Mr. Hambro. He put it to you that if India exported five millions of produce in excess of her imports and took that five millions back in sovereigns, that would be an advantage to the country, and I think you said that you did not see that it would make very much difference?—I do not think it does.

756. Do not you think that that depends on the use the country puts it to? If India were to get five million sovereigns for the price of her surplus exports, and instead of coming to London to borrow money were to make her own railways and do her own public works, that would be an advantage to the country?—But I take it that nobody sells more of his produce with the object of benefiting the country at large. If he exports 1,000 rupees' worth more produce than he imports in the shape of goods he gets the money. I do not see that it is an advantage to the country; it enables the man next year to provide his requirements without doing so much labour.

757. Suppose he invests his 1,000 rupees in some scheme that he has confidence in, is not that benefiting the country? The five million sovereigns, if they are properly used, would mean an addition to the country's potential wealth?—I do not think the wealth of a country depends on the coin in the country.

758. The coin can be invested in securities?—These securities represent property. If you add to your property, of course you add to your wealth. The wealth of the country does not consist in hard coin.

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759. What is true of an individual is true of a country. If you employ this surplus which you get in excess of your imports in undertaking, with home capital, your railways and other public works, is not that much better than going to a foreign country and borrowing it?—Then it reduces the balance. You say the advantage to the country is when it invests its surplus sovereigns in railways. Therefore you wipe out the balance.

760. Then you said that the rise in the rate of interest was a disadvantage to the country while it was in progress, but that if people could see it coming they could guard against it?—That is generally so, I think.

761. Is it no greater burden on the industry of a country to have a bank rate of 12 per cent. than it is to have a bank rate of 5 per cent.?—It means either a reduction of the price of the products of a country, or a corresponding rise on the other side.

762. But you know that a large portion of the industry of India, in fact, of any country, is conducted on borrowed money?—I admit that it is a disadvantage—a great disadvantage to the country.

763. (*Mr. Le Marchant.*) Are the native producers of India as largely employers of paid labour as European capitalists in India?—No, they are not.

764. So that possibly, in that sense, the value of the rupee does not come before them in so direct a way?—No.

765. They would look rather on the value of the produce on which they have to bestow their own individual labour?—No doubt.

766. Suppose any increase in the value of the rupee is a tax upon them, would they have some compensating advantages in the way of increased railways, steamship lines, and so on?—Undoubtedly, and also in the shape of the avoidance of other taxation.

767. You were asked as to the opinion of the commercial community on the policy of 1893—whether that policy had been wise or not; it is possible that the community are more concerned in discussing what ought to be done now than in going back to what was proposed to be done some years ago?—I think that is so. That is what I found when I was in India.

768. With regard to exchange, would it be the case that any demand would have the same effect on exchange; that is to say, that, so far as exchange is concerned, it is immaterial whether the money seeking remittance is borrowed by way of loan, or is independent capital being sent out to be employed?—Precisely.

769. In endeavouring, then, to arrive at a rough estimate of the normal balance, just as exports are taken to represent, in a certain proportion, remittances from India, Government remittances, or private remittances, would you consider that, to a certain extent, imports represent remittances out?—Undoubtedly.

770. Just so far as capital in any form is being remitted out it is not seeking for an immediate return that year?—No.

771. For instance, if imports represent capital sent out, the return for which is to come in later years, one would not necessarily expect to find corresponding exports within that year to cover it?—Not necessarily.

772. So that in analysing any balance of trade one would not assume that all the imports were calling for immediate payments, but they might be remittances out, exactly as exports are remittances home?—Precisely.

773. With regard to the scarcity or otherwise of currency, do you think there were circumstances of an exceptional nature in the past year that diverted money from banking centres?—I have no doubt that the famine and the military operations drew a great deal of money up country.

774. And the expenditure on those operations may have tended to raise prices where that money was expended, although the prices in another part of the country might be lower?—No doubt.

775. With regard to the withdrawal of capital from India, I think you said that the actual total currency in itself had not been diminished, because no rupees are shipped out of the country?—Just so.

776. But so far as exports were required to convey these remittances from India to England, India did not have the advantage of using the sterling proceeds of those exports; just so far as the sterling proceeds of that portion of the exports might have come back in gold, in that particular case the gold would have caused an addition to the currency?—Yes.

777. May I ask, from your own experience in shipping matters, whether there is any evidence in the receipts from freights or the payment of wages that there is any difficulty in obtaining currency?—None whatever.

778. Would you attribute the unwillingness of the community to send out gold to their anticipation that the policy of the Government might not be maintained?—I think I should attribute it entirely to the fact that there was a doubt as to whether the Government seriously intend to maintain that policy.

779. (*Sir F. Mowatt.*) It has been pressed upon you that, if the hoarded ornaments have to be brought out and sold, that constitutes a loss to the natives who have hoarded them. But surely the raising of the purchase power of the rupee has enabled the natives to purchase more ornaments with the same number of rupees?—Undoubtedly.

780. Having regard to the recent fall in the value of silver, that would represent an absolute benefit to the natives who bought ornaments during the time the low prices obtained?—That is so, no doubt.

781. Another thing pressed upon you was that prices were not affected in India to the small producers by a rise in the value of the rupee; but I think you said that if rents were drawn by the Government in rupees at a certain period of the year, the small producer was obliged to take a lower price for his crop during that time?—I think what I intended to say was that, if it so happened that when the rent is due, and rent has to be paid, there is not much loanable capital to be had from the Marwaris up country, from whom the ryots borrow on the strength of their crops, and that they have to pay a higher rate of interest.

782. Then it does affect the prices so far as the ryot is concerned?—Naturally.

783. But if he has to pay a higher price he has less disposable money; and does not the same principle affect the people whom he has to pay. If he cannot pay the same amount for anything as he could before, is not the labourer compelled to pay a little less for his labour?—Most of the ryots do their own cultivation.

784. Now, on the general question, have you considered what the Government of India has gained or lost by the closing of the mints in 1893?—I have made out these figures for you: Bills and telegraphic transfers sold from the 27th June 1893 to the 31st March 1898 inclusive amounted to Rs. 109,47,11,773, realising in sterling 63,639,879*l.* If they had been sold at the rate of 1*s.*, they would have realised only 54,735,589*l.* So that the difference between the 1*s.* and the rate that has actually ruled has amounted to 8,904,290*l.*—practically to 9,000,000*l.* sterling.

785. (*Chairman.*) How many rupees would that represent at the same rate?—18 crores of rupees.

786. That would have been an increase on the taxation of India?—The taxation of India would have had to be increased in the last five years to the extent of 18 crores of rupees to put the Government in the same sterling position as it is to-day.

787. Who has to pay that 9,000,000*l.*?—It has been practically an indirect tax on the people. I hope a good deal of it has been got out of the sterling buyer on this side.

788. (*Sir D. Barbour.*) Does your calculation refer only to the drawings of the Secretary of State?—That is all.

789. Because there are other charges to be met in India which are settled or fixed on a sterling basis? —No doubt. This is purely bills and telegraphic transfers.

790. (*Sir F. Mowatt.*) As to the general effect of your evidence, the Committee may take it, first of all, that you are opposed to the re-opening of the mints? —I am.

791. That you favour the establishment of a gold standard?—Yes.

792. And that you consider the rate of the rupee for that purpose may practically be assumed at 1*s.* 4*d.*?—I do.

793. You limit your evidence at this stage to the proposal of the gold standard?—That is so.

794. (*Chairman.*) Simply to clear up one or two points in your evidence, let me ask you two questions. One is as to a matter of fact, and the other is as to a matter of opinion. First, with reference to the figures that Sir David Barbour took you over, as to balance of exports over imports in 1896–97 and 1897–98. Those were the two famine years?—Yes.

795. The year before, that is, in 1895–6, the excess of exports over imports was Rx. 44,946,745?—Yes.

796. Do you consider that the great reduction from Rx. 44,946,745 to Rx. 28,145,700 was practically owing to the famine?—The famine and the plague together.

797. Then you were asked about accumulating gold out of revenue. With your experience as a member of the Legislative Council of India, and your experience of public affairs generally, do you think it would be possible for the Government of India to accumulate so large a sum as three or four millions of gold, and still maintain the same rate of remittances to the Secretary of State. in other words, do you think the Government would be compelled to part with that gold or reduce taxation?—Given a period of four or five good years, good revenue and good rains, and carefully looking after expenditure, it is possible they may be able to do that without increasing taxation.

797*a*. I did not say without increasing taxation, I said without reducing taxation. For instance, I do not know whether you are aware that there is a very strong feeling in the House of Commons with reference to reducing the taxation on salt. Do you think the Secretary of State would be able to oppose a reduction of the salt tax, and at the same time to confess that he had an accumulation out of revenue of five millions of gold?—Of course I see that difficulty.

Sir J. L. Mackay, K.C.I.E.

24 May 1898.

Adjourned.

THIRD DAY.

Monday, 6th June 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

The LORD BALFOUR OF BURLEIGH.
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Mr. JAMES EDWARD O'CONOR, C.I.E., called and examined.

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798. (*Chairman.*) You are the director general of statistics to the Government of India?—Yes.

799. How long have you occupied that post?—About three years, since May 1895.

800. What department were you in before that?—In the Finance Department; I am there still; I am *ex officio* assistant secretary in the Finance Department.

801. You have been in charge of the Trade Department for a good many years?—Yes, since 1875.

802. Therefore, for 23 years you have been practically in the Trade Department?—Yes.

803. And for how many years have you written your annual reviews of the trade of India?—I wrote the first in 1875.

804. Then the official reviews of the state of Indian trade for the last 23 years have been written by you?—Yes.

805. And you are of course familiar with the whole course of trade during that time?—Yes.

806. Starting from the year 1885—how was trade affected by the depreciation in the value of the rupee?—I cannot say that the trade was really affected in its volume. What happened was that there was a considerable restriction from time to time and embarrassment in carrying out transactions, but on the whole I cannot find that exchange really had any practical effect either on the volume or on the value of trade.

807. Let us illustrate that remark by a figure, I see that in 1885–86, according to some figures which have been laid before us, the import of merchandise was Rx. 51,000,000?—Nearly Rx. 52,000,000.

808. It will be best to take round figures. In round figures it was Rx 52,000,000?—Yes.

809. Then it steadily increases until 1890, and then it drops. It is in 1890 Rx. 69,000,000, then in 1891–92 it goes down to Rx. 66,000,000; and in 1892–93 it goes to Rx. 62,000,000?—1890 was a very exceptional year. That was a year in which there was a very rapid and singular rise in the value of silver and in the exchange value of the rupee. It rose quite suddenly on account of legislation in the United States, and there was an enormous temporary increase in the imports in that year. That was followed of course as usual by a restriction in the two following years.

810. In 1890 it was Rx. 69,000,000, in 1891 Rx. 66,000,000, in 1892 Rx. 62,000,000, and in 1893 Rx. 73,000,000?—1893 was another exceptional year. That was the year of the closure of the mints, and there was a sudden rise in the value of the rupee, and there was also a suspension of Council drawings. That accounted for the increase in the imports in that year.

811. Then the effect of those figures and those explanations which you have given us is this, if I am correct: So far as imports are concerned you do not

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think they were affected either in volume or value by the depreciation in the value of the rupee or by the closing of the mints?—Quite so.

812. It seemed to be outside the question altogether?—Quite so.

813. In 1885–86 the exports were practically Rx. 84,000,000?—Yes.

814. Then the next year they go to Rx. 88,000,000, and they keep rising until in 1891–92 they reach Rx. 108,000,000?—Yes.

815. The highest point that they ever seem to have reached was in 1895–96?—These figures include re-exports. It would be much better, I think, to confine ourselves to exports of Indian produce alone.

816. Now you see the line I am going on, will you give me your own figures in your own way?—In 1885–86 the exports of Indian produce were nearly Rx. 81,000,000, and they went up in the next year to nearly Rx. 85,000,000, then to Rx. 86¼ millions, then to Rx. 92½ millions, then to Rx. 99,000,000, and then they fell to Rx. 96,000,000.

817. What was the year of Rx. 99,000,000?—The year 1889–90. Then they fell again to Rx. 96,000,000, rising in 1891–92 to Rx. 103¼ millions, then Rx. 102,000,000, then Rx. 102,000,000 again, then Rx. 103¾ millions, then Rx. 109½ millions, and then we have had two famine years, when they fell to Rx. 100 and 93¾ millions.

818. That is the last year?—Yes, the last two years.

819. What do you say as to the effect of the depreciation in the intrinsic value of the rupee upon the export trade?—There also I cannot find that the exchange has had anything to do with the question. You have got a rapid rise in 1891–92 from Rx. 96,000,000 to Rx. 103½ millions, due to a famine in Russia and to the very large consequent export of wheat at high prices from India. Apart from that there is nothing very particular.

820. Then when the mints were closed, do you see any effect?—When the mints were closed—that was in 1893–94—we had a temporary stagnation of trade. The figure then and in the following year was Rx. 102,000,000; there was only a fractional difference in the two years; but in 1894–95, the trade went up again, and in 1895–96 it increased very largely.

821. What inference do you draw from that?—The closure of the mints for a time dislocated trade operations, especially with China, to a very serious extent. That only lasted for a few months, but still it lasted long enough to show its effect on the volume of trade for the year. The following year things recovered themselves, conditions were adjusted, and trade went on just as usual.

822. Then it had no permanent effect?—It had no permanent effect.

823. Was there anything exceptional in the year the mints were closed with reference to the import of silver that would affect the trade?—It would not affect the exports of merchandise. There was a large importation of silver, but that only lasted for a short time.

824. It had to be paid for in merchandise, had not it?—Yes, of course it had to be paid for in merchandise.

825. To that extent would it not stimulate exports?—No, I do not think so, no more than the importation of piece goods or any other article.

826. What do you consider now the state of trade, say, in the last 12 months, the mints being closed? The drawings have been contracted, I think, lately?—Yes.

827. When was the last year of full drawing?—The last year of full drawing was 1895–96, and in 1895–96 we had a very large trade, amounting to Rx. 109½ millions. Following that we had two famine years; we could not export goods because we had not them to export. But, since November last, trade has been reviving, and now it is extremely active. I should look to trade in this year being probably much in excess of that of 1895–96.

828. In the year 1897–98 was the average price of the rupee over 1*s.* 4*d.*?—In 1897–98 I think the average price of the rupee was something under 1*s.* 4*d.*

829. Now the price of the rupee is rising, and you think the trade is also rising?—I know the trade is rising. The trade has been extremely active since last November or December.

830. Is that normal or exceptional?—Exceptional with regard to the wheat trade, because of the rise in the price of wheat. There has been what may be called a boom in wheat, and we happen to have an excellent crop.

831. Is the increase in the value of exports pretty fairly distributed?—Yes, pretty generally, but we shall know more about that later on in the year. During the first two or three months of the year we have little except rice and wheat to export. Then we come on later to tea, indigo, jute, seeds, cotton, and so on.

832. Would that point to the conclusion that the increase in the price of the rupee and its exchange value has diminished trade?—Not at all, I think, so far as it is possible to judge yet. The increase in the exchange value of the rupee has been coincident with the worst famine we have had in India. It began about October 1896, and it still remains to be proved whether with the high value of the rupee the trade can be maintained I do not see any reason to suppose that it will not be maintained.

833. And you form that opinion in the light of the experience you have had since the mints were closed?—Yes.

834. Your deliberate opinion is that there is no ground for supposing that the course of trade in India has been injuriously affected by the closing of the mints?—Not the slightest.

835. Then we may take it that during the last two years the normal export trade has been restricted by the plague and the famine?—Much more by the famine than by the plague.

836. You mean the plague in Bombay?—Yes, principally—not only in Bombay, but Karachi also, where it was very bad. The plague caused a panic amongst the people, and productive industry and trade ceased for a time.

837. Will you give us your opinion as to what the effect has been, if any, of the divergence between the intrinsic value of the rupee and its exchange value? You have the India Office diagram showing the increasing divergence?—Here is a diagram of my own that I prepared some time ago. [*Witness produced a diagram.*]

838. Do you say your diagram is different from that of the India Office?—Hardly. I think they are almost exactly the same.

839. Has there been any effect from that wide divergence?—Any effect on trade?

840. Yes?—No, none at all.

841. Do you think that the trade in India is large enough to carry off the total amount of Council Bills, assuming the drawings to go on to their present amount?—That is to say something like £17,000,000; yes, I think so. We have the experience of 1895–96 to show that the thing can be done, and, although the rate of that year was lower, I do not see any reason why it should not continue to carry off the whole amount at the present rate. It is merely a question of supply and demand: we may perhaps have to sell our goods more cheaply.

842. Will you just explain to the Committee the actual working of the drawing of Council Bills as against exports?—I am not intimate with the details of that arrangement. All I can say about it is that when an exporter is ready to do his business he wants rupees, and the way in which the rupees can be got is through the banks, who get the rupees by paying in gold to the Secretary of State and buying his bills.

843. In London?—In London.

844. If the rupee is low, if the exchange rate is low, do you want a larger amount of exports to buy, say, 16,000,000*l.* or 17,000,000*l.* sterling?—Yes.

845. And if the rupee is high, you want a smaller amount?—You want a smaller number of rupees.

846. Without saying which way those two contrary circumstances would operate, must not they both operate upon the state of trade?—Not on the state of trade unless they operated to affect prices. That is the only way in which they could affect trade.

847. Assuming that is so, if they did affect prices it would operate on the state of trade?—Yes.

848. Have they affected prices?—Not at all. In examining the course of prices in India, I can find no influence of exchange upon it. I see the effect of the seasons, and the effect of supply and demand from time to time, but I cannot find that exchange has anything to do with the rise or fall of prices, except so far as that there has been a general rise of prices in India, which commenced in 1885–86, and was coincident with a very heavy fall in the gold value of the rupee. But whether the two things, being coincident, are also cause and effect, is a point on which I feel inclined to hesitate to offer an opinion. About the fact there can be no dispute.

849. Where a man has given 18 rupees for his sovereign in one case, and 15 rupees in the other, does not that affect prices in India?—It has not done so so far as I can make out.

850. And so far as wheat, cotton, indigo, or jute are concerned, you think that there has been a rise of prices?—In the case of articles which are chiefly intended for export, prices have not risen in all cases; in some cases they have remained stationary or fallen. The tendency is to follow gold prices. The prices I refer to as having risen are prices of ordinary food grains, which do not enter really into the export trade.

851. In other words, the sale of exports in India is carried on, in the main, on a gold basis?—Yes.

852. It is the gold price in London or wherever the market may be—it is London, I suppose, at all events for 80 per cent. or 90 per cent. of the export trade—which settles the price of the articles?—That refers to the articles produced mainly for export.

853. Do you say it does not refer to wheat?—Wheat also, as far as it is exported, certainly follows the gold price.

854. Now, will you just give the Committee the figures as to the trade in India conducted with countries whose monetary system is based on a gold standard, and countries whose monetary system is based on a silver standard?—In 1896–97 our trade with gold-standard countries was over 158 millions, that is to say, 81·7 per cent. of our whole trade; and our trade with silver-standard countries was not quite 31½ millions, equalling about 18·3 per cent. That was in 1896–97; I have not got the figures for 1897–98 yet, but I do not think that there is any substantial change in the proportions.

855. Is that trade affected, either for better or worse, by the instability in the exchange?—The trade in silver countries has, certainly, been affected.

856. Not in gold countries?—It is very hard to say, because it must be remembered that we have been going through a very abnormal period for two years, and the effects of the closing of the mints, if it has had any effect on the trade, would be so obscured, owing to the two famine years that we have had, that one would hesitate before expressing an opinion. I do not myself believe that there has been any effect. On the contrary, so far as the closure of the mints goes, I should say that the trade with gold countries has been facilitated, or would have been if we had had a steady exchange, but the misfortune is that we have not had a steady exchange as yet.

857. Now, about the silver countries?—With silver countries there is no doubt that the trade has been subject to much embarrassment, just the same sort of embarrassment that used to occur in the trade with gold countries before the closure of the mints; that is to say, one was never able to say what exchange was going to be the next day or even the same afternoon. It is a factor additional to all the other factors of uncertainty incidental to trade which has been introduced into the trade with silver countries. Before the closure of the mints, exchange was practically steady and unvarying within the limits of the cost of transmission of silver.

858. That is so far as silver countries are concerned?—Yes, I am speaking of silver countries.

859. But before the mints were closed, so far as gold countries are concerned, trade would be affected by the instability of the exchange?—We had exactly the same disadvantage with them. We have transferred the disadvantage from the trade with gold countries to the trade with silver countries.

860. China, you say, has the largest trade with India of silver countries; is that so?—Yes.

861. Larger than Japan?—Much larger than Japan as yet.

862. What is the nature of the trade with China?—Opium, stands first, or rather, cotton yarn stands first; opium comes next; after that there are some gunny bags—jute manufactures; that is about all.

863. Now, as to this instability of exchange with silver countries; has that affected the trade?—It has not affected the trade. At the beginning, there was a great dislocation of trade for the first few months following the closure of the mints until prices were adjusted, and trade adapted itself to the new system. Since then the trade has proceeded without special difficulty between India and China.

864. What is the next silver country you refer to after China?—Japan has now been transferred to a gold standard, and Ceylon I also regard as a gold standard country. The Straits Settlements come next.

865. You say that Rx. 31,000,000 represents the value of the trade with silver countries. How much of that Rx. 31,000,000 is China, and how much all the other countries?—With China it is rather over Rx. 16,000,000, and with the Straits Settlements it is about 8½ millions.

866. Those two countries take the bulk of it?—They take the bulk of it, yes.

867. You called our attention to the fact that in 1892 the closing of the mints was expected to seriously affect the trade in cotton yarn with China. What effect has that had?—The immediate effect was a great restriction in the quantity exported.

868. India exports less of cotton yarn to China than it did before the mints were closed?—Oh, no. That only refers to the year in which the mints were closed. Since then the trade has quite recovered.

869. We ought to get that beyond all dispute, that the year the mints were closed there was a general dislocation?—Yes.

870. And it would be very unwise to base anything upon the statistics of that year?—That is so.

871. Since then, will you tell us what the effect on the trade in cotton yarn has been?—The quantity of cotton yarn exported to China in the last ten years, stated in millions of pounds, is:

1888–89	101·25	1893–94	120·89
1889–90	114·15	1894–95	145·18
1890–91	151·05	1895–96	174·71
1891–92	145·56	1896–97	186·07
1892–93	176·86	1897–98	189·24

It should be noted that the yarn trade with China had been considerably overdone for the years immediately preceding the closure of the mints, and that the accumulation of unsaleable stocks in China was so great that for some months before the closure of the mints the Bombay cotton mills had been working short time. Even if the mints had not been closed, the trade in 1893–94 would certainly have been restricted. The recovery in 1894–5 would also have been greater but for the outbreak of hostilities between China and

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Japan, and of plague in Hong Kong and Canton. In the last of the ten years the plague in Bombay seriously restricted business.

872. How has the closing of the mints affected the trade with Japan?—The closure of the mints did not affect the trade with Japan in any way that can be distinguished, because we had very little trade with Japan *until* the closure of the mints. Our trade with Japan has been a quite recent development.

873. Is it on the increase?—Very much on the increase—most remarkably on the increase. There are three countries in regard to which the increase of trade has been quite remarkable—Japan, Germany, and Belgium. What has happened with Japan has been to some extent—not, I think, a large extent—a diversion of trade which used to be carried on with China. The Japanese have started a direct trade, and with the establishment of cotton mills there they are taking an enormous quantity of raw cotton from us.

874. Has that stimulated the growing of cotton in India?—I should say it must have done so.

875. But has it diverted the export of raw cotton? Has the raw cotton which previously went to Europe now gone to Japan?—Yes; the Japanese give us better prices. Our cotton hitherto used to be most largely consumed on the Continent of Europe, but it is now most largely consumed in Japan, because the cheapness of American cotton in recent years has encouraged the substitution of that cotton on the Continent.

876. How has the tea trade been affected?—Our tea trade?

877. I mean the Indian tea trade in competition with the Chinese tea trade?—Our tea trade has gone on increasing year by year without a pause. I am speaking of the imports *into England* which takes nine-tenths of our tea; they take our tea in increasing quantities every year, and the China tea has fallen in increasing proportion every year.

878. How have prices been affected by the exports into England?—The prices of our Indian tea at the present moment are low. I do not think they are lower than they have been. The figures are given in the Review of the Trade of India for 1896–97, at page 35, in annas and pies, per pound: they are, in the years from 1889–90 to 1894–95: 11·8, 11·2¾, 11·1, 13·0¾, 11·1½, 14·0¾; the last figure was for 1894–95, that is, the year following the closing of the mints, the very best year for tea that producers probably ever had. Then there was a fall. In 1895–96 it was 11·1½, in 1896–97 it was 9·11⅝; and, last year, in 1897–98 it has come down still lower.

879. Has the fall in the price of tea been in any way caused by the closing of the mints and the rise in the value of the rupee?—I do not find any evidence that that is the case; but there is a good deal of evidence to the effect that there has been for the moment what is called over-production; that is to say that the production has outstripped, for the time being, the demand.

880. (*Sir D. Barbour.*) Do you point to that as the cause of the fall in price?—I should feel inclined to do so.

881. (*Chairman.*) Has the coffee industry been affected?—The coffee industry has not been affected. The coffee industry is rather a peculiar one. Coffee grows in India in a very restricted zone. It could not be grown out of that very restricted region, and there has been hardly anything of an increase, mainly for that reason, and because planting was discouraged by the ravages of the diseases which blighted the plants; but planters have done remarkably well as regards prices for the last 10 years, and if at the moment prices have gone down, it is the result, I think, of about the biggest crop that Brazil has ever produced.

882. (*Sir D. Barbour.*) Brazil, I believe, is really the country that mainly competes in coffee?—Brazil is really the country that regulates the coffee supply of the world.

883. It is the great coffee producer?—Yes; if Brazil went out of the market, the price of coffee would run up to astonishing levels.

884. (*Chairman.*) Given the limited area in which coffee can be produced in India, the trade has not suffered by the closing of the mints?—Not at all.

885. It was anticipated that it would suffer?—It was anticipated that it would suffer very much.

886. The coffee planters believed that the trade would be ruined?—They believed it would be ruined; but, as a matter of fact, their trade did remarkably well.

887. Now going to another branch of the question; what was the effect of the diminution of the value of the rupee, caused by the fall in the price of silver, upon wages in India?—Wages have increased as prices have increased since about the year 1886; but the increase was greater in the wages of skilled labour than in the wages of unskilled labour; and though, as in most countries, the increase in wages has not been as large as the increase in prices, still there is a very marked increase of wages in many parts of India.

888. You mean the increase in the prices of food?—Yes.

889. And clothing?—No. Clothing has fallen in price; but clothing is not a very large item in the domestic economy of the masses of India.

890. Most of their expenditure is on their food?—The bulk of their expenditure is on their food.

891. Take the class above the ordinary labourer—take the skilled labourer—have his wages increased?—It is in skilled labour that the increase is most marked.

892. Can you tell us the per-centage?—I should call it about 20 per cent. Taking the wages of the operatives in the mills at Bombay, and the operatives in mills elsewhere, I should say that during the last 12 years the increase may be put at about 20 per cent.

893. Would that increase cover, or be in excess of, the increase in their expenditure for food?—So far as regards prices during the last few years, the increase in wages is less than the increase in the cost of food.

894. I do not mean the famine years—I mean apart from that—take the price of food, say, in Bombay, to-day?—I think prices are still very high.

895. Take them before the famine—say in 1895?—The increase in wages was not in quite the same proportion as the increase in prices.

896. Was it more or less?—It was rather smaller.

897. How did it affect the class next above them? I mean the ryots, the tenants; their rent was fixed at so many rupees at the period of the Settlement. If the rupee falls in value it is to their advantage, is it not?—If prices rise?

898. Yes?—No doubt that is so.

899. But not if they do not rise?—Not if they do not rise.

900. Do you think that the effect of a rise or fall reaches the small cultivator directly?—It depends upon circumstances. Sometimes it does not reach him at all; it reaches the middle man from whom he borrows money to carry on his operations. I think, taking it all round, there is some exaggeration about the indebtedness of the peasant, and I should think he does benefit from a higher range of prices.

901. Has your department any statistics which deal at all with the volume of the currency?—No, we have not, except the statistics of the coinage from year to year.

902. You know what are the imports and what are the exports; that is in your department?—Yes.

903. But you have nothing to guide your own mind as to the volume of the currency now in India?—No, there has only been one estimate formed of the volume of currency, and that was by Mr. Harrison.

904. We are going to hear Mr. Harrison, and, therefore, I will not take you over that. Now, in a paper which you have submitted to us, you give us the net imports during the five years 1892–3, and the five years ending 1897–9[illegible]

all, the net imports of gold for the five years ending 1892-3 were 2,218,355 ounces; for the five years ending 1897-98, the net imports were 770,289. Have you any explanation to give us about that?—A good deal of gold was exported in the famine years.

905. You think it was drawn out?—Well, not drawn out of hoard, but all the floating gold that there is about the place comes in then, and it is exported, in default of having merchandise to export when the crops fail. You always find a pretty considerable export of gold and a diminished import. Then, no doubt, the export of gold is also influenced by the fall in the value of silver.

906. (*Sir D. Barbour.*) Has the establishment of Indian gold mines affected the result at all?—That also has affected it.

907. To the extent of a million a year?—Probably.

908. That is to say, if there is the same net import as there was before, there must be an increased consumption to the extent of one million a year in India?—Yes, of course that would affect the question.

909. (*Chairman.*) The first reason, you say, was the famine. Then, in addition to the famine, you think it was affected by the production of gold in the mines of Mysore and other places?—Yes.

910. Now, you give us the net imports of silver. For the five years before the closing of the mints, the net imports were 200,480,838 ozs. For the five years since the closing of the mints they have been 178,600,778 ozs. That is a very large diminution?—No, I make it out to be only about 11 per cent.

911. What is your explanation of that?—I do not think anyone can explain it. It has been a subject of astonishment to us ever since the closing of the mints that there has been such a demand. Before the closing of the mints, practically all the silver imported, with the exception of about 4 per cent., passed into the mints and was coined. Then the assumption used to be that at least half of that remained in the currency as coined silver, and the other half was melted down. But it looks now, judging from these figures, as if that inference was not quite correct, and that a very much larger proportion of the rupees that were coined must have been melted down into ornaments.

912. Not hoarded?—No, not hoarded, judging from the imports of silver. I do not believe that any of these imports of silver have been got into hoard; I think they have all been converted into ornaments, except so far as they went into the native mints.

913. Have you any idea in your mind of the proportions of the population which are above and below what we may call "the ornament-wearing line?" Of course there are a large number of people in India who cannot afford to wear any ornaments at all. What is the proportion?—I think everyone in India tries to get hold of an ornament. I have seen the very poorest with a silver toe-ring, but I suppose that, taking it all round, you might say that perhaps some 30 per cent. of the population could not afford to buy any ornaments.

914. (*Sir D. Barbour.*) Are you aware that in some parts of the country they very largely wear base metal?—That is what I was going to say. They wear pewter and lac and glass.

915. Those are the people that you include in your 30 per cent.?—Yes.

916. (*Chairman.*) Taking the people altogether there are 200,000,000 who would wear ornaments?—Yes.

917. Silver ornaments?—Silver ornaments, and some of them gold. Of course that is only a rough conjecture.

918. No doubt, but what I want to get at is this. Of course these figures look very large when the five years are added together; but if you take 200,000,000 ounces over the five years, that is, 40,000,000 ounces a year, and if that is distributed amongst 200,000,000 of people, it is not a very large average for ornamental purposes?—No.

919. In your judgment there has not been much illicit coinage since the closing of the mints?—We have no evidence at all of illicit coinage other than what has been going on from time immemorial.

920. And you would have known it had there been any exceptional illicit coinage?—I think it is practically certain that we should have known it.

921. (*Sir D. Barbour.*) The Government gets returns of all cases of illicit coinage that are discovered?—Yes, I have a return here (*handing in a return*).

922. (*Chairman.*) This return covers everything, counterfeiting, possessing instruments, abetting, and every possible variation of coinage offence. The total number of persons convicted in 1889 was 550; in 1890, 528; in 1891, 578; in 1892, 650; in 1893, 490; in 1894 (this is the first year in which returns were received from the native states, and the figures for those states included since then have also been included), 601; in 1895, 644; in 1896, 589?—That is so.

923. Now, is there any indication of the rupee declining in value itself in India?—The diagram shows that, for a period after the closure of the mints, the rupee fluctuated more or less with the fluctuations of silver, though the exchange value of the rupee was immediately raised materially above its intrinsic value, and, since the 26th June 1893, there has been no indication of a decline in that value to the level of silver bullion.

924. No approximation to a decline?—No, on the contrary, the divergence has been steadily upward. This diagram shows that the rupee has about reached the limit that it can reach under present arrangements. But it is impossible to say of silver whether it has reached the level of decline that it can reach.

925. You think the divergence has reached its limit?—In the one direction—the upward direction.

926. The rupee has now got to 1*s.* $4\frac{1}{32}$*d.*?—About that.

927. And what is the intrinsic value of its silver content?—It will be a little over 10*d.*

928. Now, giving only your general opinion, what would be, do you think, the effect in India, supposing the mints were open, on the trade of India?—Supposing the mints were opened, I think there would probably be a commercial crisis more severe than any we have ever seen.

929. Please tell the Committee what your views are as to that?—If the exchange value of the rupee were reduced to-morrow, say, from 1*s.* 4*d.* to 10*d.*, I do not know how merchants would be able to meet their obligations.

930. You think it would produce a catastrophe in the trade of India?—I think so.

931. Now, supposing, not that the mints were opened at once, but supposing there was a belief in India that that was going to be done in the course of 12 months?—Well, you can always, more or less, discount the effects of a thing if you have 12 months' notice, but with a prospect of a heavily falling exchange trade in the interval would probably be brought to a deadlock.

932. But could it be discounted so far as the Secretary of State's drawing were concerned?—No; you would have to impose additional taxation to a very large amount.

933. (*Sir F. Mowatt.*) Did you say that the variation in exchange with gold countries had been less since the closing of the mints?—No, I did not say that. On the contrary, I said that we had transferred from gold countries to silver countries the disadvantages of a fluctuating exchange, but that unfortunately the fluctuations in exchange had not ceased.

934. The fluctuations in exchange with gold countries?—Yes. It is only during the last few months that we have had anything like a steady exchange.

935. Then the closing of the mints has not had the effect of lessening the variation of the exchange?—

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Not yet. If you look at that diagram you will see that exchange has fluctuated greatly since the closing of the mints. We are in a period of transition, and we suffer from all the disadvantages of such a period.

936. You think the period of transition will not be prolonged beyond what was expected?—Personally I had hoped that we should have reached a steady exchange long before the end of five years.

937. Now, to go to another subject; you are aware that it has been contended before us that the tea trade is now commencing to suffer severely by the increase in the value of the rupee. You have explained that partly by the fall in the price of tea. Taking coffee, the same conditions would apply to coffee as regards its production, I suppose, as applied to tea, that is to say, that if the production became more expensive because of the increased cost by the change in the value of the rupee, that would apply equally to tea and coffee, would it not?—Yes.

938. The market for coffee is not glutted or overstocked, is it?—It is this year, I believe.

939. But taking the figures we have got up to now?—No, and consequently the price of coffee has been extremely high, higher during the last 10 years than it has been known before. I have a record of the price of Ceylon plantation coffee and also of the price of Indian coffee, both rising and falling together.

940. I will take that from you, but the deduction would appear to be that the trade is affected not so much by the increase of the cost of production, but by the over supply of the market?—That is what I gather.

941. And that deduction as regards the trade in coffee confirms the opinion you have expressed as to tea?—Yes.

942. (*Sir J. Muir.*) If a tea planter in Calcutta wanted to provide funds to pay the wages of his coolies, and other expenses, and in order to do that he sold bills upon his London banker, say to the extent of 10,000*l.*, at what rate could he sell those bills in Calcutta?—You mean at present. I suppose at the present moment 1*s.* 4*d.* the rupee—say about 15 rupees to the £.

943. Some years ago, before the closing of the mints, he could have sold at 1*s.* 1*d.* or 1*s.* 1½*d.*?—He could not have done so at any time before the closure of the mints, but there have been times since the closure when he could have sold at those rates.

944. In that way, then, he would have far more rupees for his 10,000*l.* than if the exchange were at 1*s.* 4*d.*?—Yes.

945. Therefore is not there an increased cost to him by the rupee being at 1*s.* 4*d.*?—Yes, of course it would be an increased cost to him, but that does not mean an increased cost of production.

946. Why not?—It means simply a larger capital. It has nothing to do with the cost of production. It is a larger capital applied to the industry.

947. If he lays down tea in London he would do it more cheaply at 1*s.* 1½*d.* the rupee than at 1*s.* 4*d.* the rupee?—No, I do not know where the rate of exchange comes in. He has got to lay down his tea in London at the price of the market, whatever that may be.

948. At the price of the market in London?—Yes.

949. How?—He sells his tea in Calcutta.

950. Not all. The great majority of it is sold by auction in London?—I understand that the tea sales in Calcutta represent the bulk of the production.

951. I think, if you look at the statistics, you will find that that is not so. At all events, you will find that a very large number of the producers of tea sell their tea in the London markets by auction?—I have not got the quantities here.

952. But does it make any difference? Supposing that a planter can get rupees for his bills upon his London banker at 1*s.* 1½*d.*, you acknowledge that he will be able to get far more rupees for 10,000*l.* than he could if the rupee were at 1*s.* 4*d.*?—Yes.

953. And, therefore, proportionately he will be able to lay down his tea in the London market more cheaply?—But that is one transaction. It is only done once.

954. I know a great many cases where the thing has been placed before me. Here is an operation; he has to pay the wages of coolies and managers and superintendents and various other expenses; the tea is sent home and sold in London, the proceeds of the tea that he has sold amount to as much as is due to the bank, and the balance is profit. The balance will be larger when the rupee is at 1*s.* 1½*d.* then when it is at 1*s.* 4*d.* Is not that so?—Yes.

955. (*Sir D. Barbour.*) With regard to the question that Sir John Muir asked you about the 10,000*l.* laid out at 1*s.* 4*d.* exchange, as compared with the 1*s.* 1½*d.* exchange, a few years ago those bills might have been drawn at 1*s.* 6*d.* or 1*s.* 8*d.*?—Yes, and more.

956. 1*s.* 10*d.* and 2*s.*?—Yes.

(*Sir J. Muir.*) And 2*s.* 2½*d.*

957. (*Sir D. Barbour.*) So that if there is any advantage in the fall of exchange, even though the planter only gets 1*s.* 4*d.* at the present day, he still gets a greater advantage as compared with what he got before?—Quite so.

958. Now you put in certain figures relating to exports and imports?—Yes. The figures of the total trade of India for the five years before, and the five years after, the closure of the mints are these:—

Year.	Imports.	Exports.
	Rx.	Rx.
1888–89	83,285,427	98,833,879
1889–90	86,656,990	105,366,720
1890–91	93,909,856	102,350,526
1891–92	84,155,045	111,460,278
1892–93	83,275,087	113,554,399
Total	431,282,405	531,565,802
1893–94	95,482,687	110,603,561
1894–95	83,110,200	117,139,850
1895–96	86,304,238	118,594,549
1896–97	89,188,511	108,921,521
1897–98	94,164,933	104,783,827
Total	448,251,069	560,043,316

959. Those figures include gold and silver?—Yes.

960. And Government imports?—Yes.

961. The Government imports, I think, would be mainly military stores and stores for railways?—Yes, military stores, stores for railways, and a very small quantity of civil stores.

962. There has been a considerable increase in the stores for railways owing to the construction of railways on a large scale?—Yes, a very large increase.

963. And so far as those stores are concerned the increase in imports may be said to be independent of the exchange?—Yes, the totals of Government trade have but slightly increased during the last few years.

964. Government stores have increased also?—Yes.

965. And these figures also include the stores required for the construction of railways that are being made by companies?—Yes.

966. And that import would be independent of exchange—I do not say in the long run, but for the time being—it would be independent of exchange?—Yes.

967. You say the export trade has increased by 5 per cent. What were the particular years you were referring to there?—I have taken the five years before and the five years following the closure of the mints.

968. It is on the whole group of years?—Yes. I have a statement here of the exports year by year, with the rate of exchange each year.

969. I think we have sufficient information in the table you have already given us. The imports seem to have increased since 1894–95, and the exports have rather fallen off?—Yes.

970. That is while exchange was rising?—Yes.

971. That would rather indicate that the balance of trade was turned against India during those years?—Well, we have had these famine years.

972. I was not going into the cause of it, but that is the fact?—There is no doubt about the balance having gone against us.

973. And it is rather remarkable that during that time the exchange has been rising?—Yes.

974. I do not say it is not capable of explanation, but it is remarkable that with a rise in imports and without the same rise in exports, and in fact with a fall in exports, you should have a rise in exchange, and the balance of trade against you. Of course, there is an explanation, but it is a remarkable fact at first sight. Do you agree with that?—Yes.

975. Then you expressed an opinion—I do not wish to challenge it in any way—that at an exchange of 1*s.* 4*d.* the volume of trade would be quite equal to all demands on account of the Secretary of State's bills?—That is my opinion.

976. You referred only to the Secretary of State's bills, but there are all the other demands?—Yes.

977. You include everything?—Yes.

978. You say that at an exchange of 1*s.* 4*d.* India is quite able to meet all the demands?—Yes, I think so, in ordinary years.

979. You know, of course, that those demands are very considerable?—Yes.

980. It would be difficult to give the exact figure, but they are very large?—Very large.

981. In the last five years, if you look into the figures, there are only two years in which the surplus of exports would be sufficient to meet the demands?—That is in 1894–95 and 1895–96.

982. And in the other three years, although I do not think the calculation is very accurate, the surplus would be insufficient?—In 1895–96, 1896–97, 1897–98.

983. And 1893–94?—In 1893–94 the surplus was reduced, because Council bills were suspended.

984. I am not going into the cause, but the fact is so?—Yes.

985. In the two years in which India was fortunate enough to meet all her liabilities, the exchange was very low?—Yes, 1*s.* 1·1*d.*, 1*s.* 1·6*d.*

986. In the three years in which she clearly did not export enough to meet her liabilities, the exchange was higher, 1*s.* 2·4*d.* to 1*s.* 3·4*d.*?—Yes.

987. I suppose in those years, if she had had to export enough to meet her liabilities, the exchange might have been something lower?—It is possible.

988. One cannot say to what extent?—No.

989. Now what do you consider the cause of the very remarkable and steady rise of exchange between 1894–95 and 1897–98—I mean steady from year to year, not from month to month or week to week?—I am inclined to attribute the rise to the diversion of rupees from the commercial centres to the interior of the country for the purposes of famine relief, for the purposes of military operations on the frontier, and for the purpose of railway construction.

990. You think that is the cause of the rise in exchange?—I think so.

991. I was not speaking of the high rate of discount?—No, the rise of exchange too. The call for rupees in those centres induced greater anxiety, I should think, to get the rupees.

992. It is the withdrawal of capital?—The withdrawal of capital and the anxiety to get rupees for the current purposes of trade.

993. If the capital came back, do you think exchange would fall again?—I am inclined to think that it would. I have no belief whatever in the general idea that there has been a great contraction of the currency.

994. Do you pronounce a decided opinion, or do you say that you have no evidence in favour of it?—We have no evidence whatever to support the theory that there has been a contraction of the currency.

995. In the interior of the country the prices of food grains, which are the most important items in the interior, have risen during the famine?—They have practically doubled themselves, and they have not fallen to the former level yet.

996. You said in your evidence that the price of exports, that is, of the chief exports as a rule, such as jute and so forth, you thought had not risen?—Jute has risen, and rice also, and some other articles have risen, but others have fallen.

997. I spoke to you a few days ago about, as it seemed to me, the importance of getting for, say, 10 years, the gold prices and the silver prices of the chief imports and exports of India. Have you got those figures?—I have. They are as follows:—

PRICES of certain COMMODITIES in LONDON and CALCUTTA.

(*a*) Rupee prices in Calcutta. (*b*) Sterling prices in London.

[In this Table the figures are based on the prices in 1873, which are taken to represent 100.]

	Wheat.		Rice.		Cotton.		Jute.		Linseed.		Rapeseed.		Tea.		Indigo.	
	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)	(*a*.)	(*b*.)
1888 -	81	54	110	69	99	62	126	79	93	65	84	56	72	73	85	79
1889 -	83	51	136	89	104	66	151	90	104	69	—	74	66	64	81	76
1890 -	81	54	143	96	95	67	122	81	99	71	98	73	55	63	79	79
1891 -	92	63	138	96	84	52	127	75	99	70	102	72	65	67	77	92
1892 -	95	52	160	92	86	46	153	96	113	65	84	62	71	44	91	72
1893 -	86	45	174	83	100	51	154	82	117	69	103	61	62	39	106	86
1894 -	75	39	164	90	89	43	158	88	121	64	—	51	79	35	101	89
1895 -	83	39	139	—	91	42	141	67	119	61	—	50	71	35	102	78
1896 -	112	45	156	—	90	48	155	75	97	54	95	55	66	33	90	73
1897 -	120	51	246	—	86	43	132	76	94	51	113	62	54	30	80	69

998. I have not seen them, and will not ask you any questions about them, but perhaps you will put them in?—I will put them in.

999. Now the famine began in 1896–97?—In 1896; you may say that it began in September 1896.

1000. And lasted through 1897–98, more or less?—Until the kharif was harvested, in September 1897.

1001. It ran into the financial year 1897–98?—Yes, quite through the first half of 1897–98.

1002. And those were the years in which there was also the plague?—Yes, the plague broke out at exactly the same time as the famine.

1003. It had not much effect on the trade, I suppose—not very much?—It had a very serious effect on the Bombay mill industry. It paralysed that for the time being.

1004. And there was very large military expenditure during those years?—Very large military expenditure. I think that all came into 1897–98.

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1005. Is it not a remarkable thing that, just as great military expenditure and great famine expenditure were about to take place, that was the very time at which the exchange took a sudden start upwards?—Yes.

1006. Ordinarily speaking one would expect that causes like that would have the opposite effect?—Yes; but as I said before, I think these things caused a diversion of available capital from the commercial centres, and that was the main cause of the rise in exchange.

1007. Are you aware that it was in 1896–97 that very large borrowing of all kinds was undertaken by the Government?—No, I cannot say much about borrowings.

1008. The figures are in the statement which has been laid laid before us. I will take the figures for 1895–96 and 1896–97. If you will turn to the statement prepared by the India Office, you will see that 1896–97 is the year in which the increase in borrowing took place. I will compare only the two years 1895–96 and 1896–97. You will see that, so far as India goes, there was paid off in India in 1895–96, Rx. 584,812?—Yes.

1009. And in the year 1896–97 there was borrowed Rx. 5,326,125?—Yes.

1010. Showing a very remarkable change?—Yes.

1011. Then you will see that the amount of rupee capital paid by railway companies or irrigation companies into the Government treasuries in India is not very much. In 1895–96 it is Rx. 163,800, and in 1896–97 it is Rx. 328,000?—Yes.

1012. Then, if you look at the statement giving the net amount of money raised by debt incurred in London, you will find in the year 1895–96 there was paid off 1,600*l.*?—Yes.

1013. In 1896–97 there was paid off 849,992*l.* Then in Statement B., "Amount of capital raised in "London by Indian Railway or Irrigation Com- "panies, guaranteed by the Secretary of State," you will see that the capital received in 1895–96 was 940,733*l.*?—Yes.

1014. For 1896–97 it was 3,570,893*l.*?—Yes.

1015. So that in India you may say that the difference between the two years is something very like six crores of rupees, taking what was paid off in one year and borrowed in the other?—Yes.

1016. And in borrowing in London there was about 846,000*l.* to the good—being the repayment of debt to that amount?—Yes.

1017. Against which is to be set an increase of about 3,570,000*l.* raised by companies?—Yes.

1018–9. Making a net receipt of 2,724,000?—Yes.

1020. So that in London there was raised about Rx. 2,800,000 more in 1896–97 than in the previous year?—Yes.

1021. If borrowing has an effect on the exchange there was sufficient increase of borrowing in that year to produce an appreciable effect?—No doubt.

1022. In 1897–98—I will not go through the exact figures—but you know there was a very large borrowing in that year?—Yes.

1023. 1896–97 and 1897–98 are the two years in which the exchange showed a remarkable rise?—Yes.

1024. I may mention that these figures do not include what was raised in those years by railway companies that were not guaranteed by the Secretary of State. The figures we have dealt with have reference to the guaranteed railways?—Yes.

1025. And I think in 1897–98 there was a remittance to India over and above everything else of about 1,000,000*l.* sterling on account of the famine fund?—Yes.

1026. And if remittances from India have any effect on exchange, remittances to India would have some effect also?—Yes.

1027. That would be a special cause?—Yes.

1028. I have not seen your diagram of the divergence in exchange. I suppose it is the same as the India Office diagram?—Practically the same thing on a larger scale.

1029. There is a remarkable divergence from about the year 1896?—It begun just about the same time as the famine and the plague, that is, about August and September.

1030. Are you aware of any reason why silver should have gone down at that time?—The Japanese currency reforms affected silver.

1031. When did the election of President in America take place? Did that have any effect or not?—I doubt whether it had any effect. I remember following the elections, and Mr. Bryan's discomfiture really had little effect one way or the other—nothing much.

1032. The cause that has put up exchange is probably not the same cause that has put down silver. It is difficult to imagine one cause that would produce both results?—No, I do not think the fall in silver has had any connexion with the rise in the rupee.

1033. You have already expressed your opinion about the contraction of the currency. Some prices have risen very largely, and, as regards the exports, some prices have risen and some fallen?—Yes.

1034. From examining the prices of the main articles of export, are you prepared to say that there has been a tendency towards a rise or a fall?—On the whole I should say there has been a tendency to a rise.

1035. That might be due, of course, to higher gold prices?—It might be. It is certainly coincident with higher gold prices.

1036. A higher gold price in England, of course, means a larger demand for the article?—Yes.

1037. It is only natural to suppose that if there is an increased demand for the article in England, the rupee price will rise?—Yes.

1038. A rise in the gold price in England means a rise in the Indian price, whatever the standard in India may be?—Yes, as a matter of fact, the price of wheat went up in India directly the price of wheat went up in England.

1039. It always does, in fact?—Always.

1040. And I suppose simultaneously, other things being equal, exchange would tend to rise too?—Yes.

1041. There would be an increased demand for bills to pay for the wheat?—Yes.

1042. Then you said that there had been a considerable withdrawal of capital from India?—Yes, there has been a very large withdrawal of capital, which commenced long before the closure of the mints and has gone on ever since; and recently there has been a large withdrawal of rupees from the commercial centres.

1043. And I suppose one of the causes affecting the supply of capital in India is the borrowing by the Government?—Yes.

1044. It would absorb so much of the capital?—Yes.

1045. That is to say, in 1896–97 there were, Rx. 5,600,000 borrowed?—Yes.

1046. We need not go into the figures of the other years, but I think it was something like Rx. 3,000,000 for each of the other years?—Yes.

1047. And that means so much capital taken out of the Presidency towns. I daresay you are aware that the supply of capital in India itself is, and always has been, very limited?—Yes. I am also reminded that out of the Rx. 5,000,000 two crores represent the currency investment.

1048. That was not a demand on the capital of the country?—No.

1049. It was an addition of Rx. 2,000,000 to the currency?—Yes.

1050. That would reduce the borrowing in that year to about Rx. 3,500,000?—Yes, about that.

1051. Then you said the wages of skilled labour have risen?—Yes, they have risen everywhere.

1052. There is a much greater demand for skilled labour in India than there used to be?—Yes, and the skill has not been acquired as quickly as the demand has increased.

1053. Skilled labour in India is now more efficient than it used to be?—Very much more efficient.

1054. For example, there are workmen on the railways now who are much more skilful than in the old days?—Yes, the railway workshops have been training excellent men.

1055. And there is a greater demand for skilled labour, and that demand brings with it higher wages?—Yes, but the wages for unskilled labour have also increased.

1056. Especially, I suppose about the Presidency town?—Especially about the Presidency towns.

1057. But the special increase is in skilled labour? The special increase is in skilled labour.

1058. In the remote agricultural districts has there been much change?—It is hard to say; the agricultural labourer is paid in kind still to such an extent that the increase, whatever increase there may be, is disguised in the official returns. Of course, where he is partly paid in kind, as he is mostly everywhere, if he is paid a certain measure of grain, in addition to a rupee or two, the increased price of the measure of grain means an increased wage for him.

1059. If he gets the same quantity of grain, it *is* practically an increase in money wages?—Yes.

1060. You said that the gold that was exported did not come out of hoards, but was merely the floating gold. I have no evidence to the contrary, but I remember that in the Gold and Silver Commission of 1888, I think it was, Sir Hector Hay said that gold had come to this country, which evidently had been melted down from ornaments?—It is quite possible that some gold may have been melted down from ornaments, but I should not feel inclined to think it would be much. The people affected by the recent famine were not people who could afford to wear gold ornaments.

1061. Then as regards the imports of silver since the mints were closed, I understand there is not much change in quantity, but there is a considerable change in price?—Yes, the price has fallen very much.

1062. And that, I suppose, would of itself account for some increase in the imports?—No doubt that is so.

1063. And probably that would be the main cause?—I should think it is very likely that that is the main cause.

1064. When the rupee rises in value to 1*s.* 4*d.*, even though the gold price of silver remains constant, it would appear to the Indian that silver was cheaper?—Yes.

1065-6. He starts from the rupee point?—Yes; he takes it by the tola; he used to pay one rupee per tola, and now he will pay about 12 annas or less per tola.

1067. But exchange having risen, silver would appear cheaper to him?—Yes. I am inclined to think that some of the imports during this last year must have been speculative, though, of course, in the first instance all imports of silver are speculative.

1068. But speculation would come about in this way. An Indian banker, or a man having money, would say to himself: "Silver is now cheaper. I "will buy now; I will hold for a time until better "prices come about." He might be deceived in that expectation, but that would be the basis of his speculation?—Yes, but I think the importing banker does not speculate on his own account at all. He simply takes money that is given to him to purchase silver for a person who wants it to speculate with.

1069. I was referring rather to the mahajans or Indian bankers, not to the European bankers in India?—They are the speculators; the importing banks do legitimate business.

1070. Will you explain how it is that a suspension of the Secretary of State's drawings would affect the export trade?—I do not know how the thing comes about, but we know that it has happened on every occasion when the Secretary of State's drawings have been suspended that the export trade has been suspended; export business has ceased for the time being.

1071. Exchange keeps a little higher?—Yes.

1072. And when it begins to fall again there is a corresponding increase in the export trade—Yes.

1073. I daresay you recollect that about 1882 or 1883 the Secretary of State held up exchange to 1*s.* 8*d.*?—Yes.

1074. And it fell, and then very much the same thing happened as in 1893?—Yes, and it was resumed at once in 1894.

1075. The Secretary of State's drawing is merely the putting forward of a demand which India has to pay?—Yes.

1076. It is drawing money which India has to pay?—Yes.

1077. And she has to pay that by exports. If the demand is not put forward the exchange keeps high and produce is not exported. If the demand is put forward—if the Secretary of State draws bills—exchange goes down, and it becomes profitable to export. Really the cessation of exports when the Secretary of State ceases to draw bills is due to the fact that India is not called upon to pay her debts for the time being. That is the fundamental cause?—That, no doubt, is the basis of the thing.

1078. Now, as regards the exchange, there are many transactions between India and England, and those all result in bills drawn on the one country or the other?—Yes.

1079. This is only what appears in nearly every book on political economy. It is the competition of the bills between the two sides that makes the exchange?—Yes, I think so.

1080. Suppose exchange was 2*s.* the rupee and after the lapse of 10 days or a month, or whatever it might be, the transactions going on all the time, India had a claim on England for 10 millions, and England had a claim on India for 15 millions, you would set off 10 millions against 10 millions, and there would remain a claim by England against India of 5 millions sterling. That is to say, there would be somebody in India with rupees who was anxious to buy bills on England to pay his debts with?—Yes.

1081. That is the form it would take?—Yes.

1082. (*Sir C. Crosthwaite.*) You said that the gold price rules the exports of India?—Not of all exports, only of articles which are largely grown for export, of which the exports are in very large proportion to the quantity kept for consumption in the country.

1083. The reason I ask is this: Those figures that you have given us are in tens of rupees?—Yes.

1084. Do they show the actual gold value of the exports?—No, those tens of rupees only represent the market value at the port of export.

1085. With varying exchange, of course, the values in gold would vary. I mean, these figures do not represent actually the value of the exports?—It represents the value of the exports as declared at the port of shipment.

1086. In rupees?—In rupees.

1087. But taking the excess of exports as the means which India has of paying her gold debt, the figures here do not give a fair representation of the amount of payment made by India in any year?—I think they do—they must.

1088. Not unless they are in gold value. As the rupee varies, when the rupee is higher the figures ought to show that more gold debt has been paid than these figures would show, is not that so?—No, I do not find that to be the case. On the one side we have imports valued at the port of import, on the other side we have exports valued at the same port, the port of shipment. It is the excess between the one and the other which represents the debt India has to pay.

1089. I do not know whether I am right or not, but what I want to make out is this: If India has to pay 17,000,000*l.* sterling, in one year it may require many more rupees than it will require in another year?—It depends on the variations in exchange.

1090. Do these figures as they stand show that?—Oh, yes; you will find if you look at them from year to year that that is so.

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1091. (*Chairman.*) Do you mean that the declaration at the port of export in India is the value in rupees?—Yes.

1092. Of course the amount of rupees depends on the gold value of the article that is sent. Put it in this way, suppose you are sending a quarter of wheat of which the gold price in London is 40*s.*, the rupee value of that would be at the present time 30 rupees?—Yes, it would follow the gold value at the present time.

1093. Whereas, on the other hand, supposing the rupee had gone down, say, to 1*s.*, and that 40*s.* represented 40 rupees; then the value of the wheat at the export port in India would be 40 rupees?—Yes, assuming that there was no variation in price.

1094. That is the hypothesis I am taking?—Just so.

1095. If we want to investigate the real trade of India we must have volume as well as prices?—Quite so.

1096. As I understand, in dealings with gold countries the rupee price of the day depends on the exchange of the day?—Quite so.

1097. (*Sir C. Crosthwaite.*) The tea and coffee planters, I understand, complain mainly that whereas they sell their produce in London for gold and remit in rupees to India to pay for their labour, as the exchange rises they have to pay more gold for the rupees which they remit for their labour, and therefore their labour costs them more. I understand that to be their complaint?—Yes.

1098. Do you think, supposing that complaint is well founded, that the ordinary producer of India, the ryot, is in the same position?—I suppose he ought to be in exactly the same position in so far as he produces stuff which is sent out of the country to gold countries.

1099. Do not you think that the fact that the majority of agricultural labour is paid for in kind affects the question?—It affects the question in this way, that if the producer gets a larger price for his produce he has got to pay a larger price for the labour.

1100. But does it affect him in the same way? He always pays in kind. Therefore, to him, there is no appearance of change in the amount he has to pay for labour?—When he is parting with, say, a maund of grain to his cultivators, and he could get five rupees in the market where he used to get not more than two rupees eight annas, he must think that he is paying more for the labour.

1101. As regards the importation of silver during the last year, in which there was one of the greatest famines there has ever been in India, the importation of silver was very large?—Yes.

1102. You think that has been used for ornaments?—Mainly, but some of it went into the native mints, and some of it into countries across the frontier.

1103. The amount that went into the native mints was very small—about four crores?—Yes, I think it accounts for something like 13 or 14 per cent. of the total imports.

1104. You are inclined to infer from that, that the former idea that half the silver imported into India was made into ornaments is erroneous. Formerly the idea used to be that of all the silver imported into India half was made into ornaments and half remained in circulation?—Or in hoards.

1105. You are inclined to think that the estimate of the amount that remained in circulation is too large?—Only so far as the figures go at present. I do not think we have a sufficiently wide basis to formulate a distinct conclusion on that point. It may be that half is the correct figure, and it may be that two-thirds would be a nearer approximation to accuracy.

1106. You are not prepared to say that the argument of the Government of India, so far as it is founded on the great importation of silver, and the large additions to the currency that have been made from year to year, has been invalidated?—Which argument?

1107. The argument that the rupee has become redundant on account of the large additions to the currency which have taken place during the last series of years?—Whether the rupee is redundant or not is a point on which no one can express a distinct opinion at present. Some say the rupee has contracted; others say it is redundant. Which is the more correct of the two I should like to reserve my opinion about until we have emerged from the abnormal period through which we have been going practically since the closure of the mints. I am inclined to think that the next few months will show us what the volume of currency is really like, for we have now entered upon a normal period.

1108. (*Sir A. Dent.*) You say that we have been going though an abnormal period during the last two years, but you hesitate to form any conclusion as to the effect the closing of the mints will have on the trade of India; I think you said that?—No, I do not think I said that. I said that as regards trade, I do not believe the closure of the mints has had any effect at all on trade. I reserve my opinion as regards the effect of the closure of the mints on the currency in circulation in the country.

1109. In the tables of imports and exports which you have given us, you put the closing of the mints as in the year 1893–94. Trade possibly had not settled down then, I suggest, to the new condition of matters?—In 1893–94 that is quite so.

1110. Therefore, perhaps it might not be quite correct to form a judgment on the course of trade by taking five years in comparison with five years; perhaps it would be more accurate to take the last four years and compare them with the previous four years?—But then two of the last four years have been years of terrible famine, so that the comparison would be still further vitiated.

1111. That is true; and also we know that in the previous two years it was subject to a very low rate of exchange?—Yes, the exchange was very low.

1112. So that for those four years we have peculiar conditions; in the first two years a low rate of exchange, and in the last two years plague and famine?—No doubt.

1113. If you alter it to four years and four years, you will find that instead of having your import trade increased by 4 per cent. it is diminished by 4,000,000 rupees?—Which four years would you take?

1114. If you take the last four years and compare it with the previous four years, you will find that that shows a deficit in your imports, comparing the one group with the other, of 4,000,000 rupees?—You want to exclude from the comparison the year 1893–94.

1115. I want to put that into the previous group of four years. I take the four last years compared with the four previous years?—If you put 1893–94 into the previous group (call it the group before the closure of the mints) then you have in that group 1890–91 and 1893–94, both of them being extraordinarily exceptional years; in 1890–91 there was a temporary stimulus to imports both of silver and merchandise on account of the sudden rise in the value of silver, which will show itself to you in its extent from that diagram. Then you take 1893–94, in which, likewise, there was a large and very exceptional temporary stimulus of imports, caused by the sudden rise of exchange following the closure of the mints.

1116. My chief point is to show how difficult it is to deal with these last four years; how they have all had something exceptional about them?—No doubt that is so.

1117. And when you come to your exports, which you may say kept very steady during 1897–98, that has been very largely affected, I suppose, by the wheat. Have there been any wheat shipments taken into account in those figures?—No, the wheat crop did not come to market till April and May. That will come into 1898–99.

1118. Now, referring to the China trade, I think we may take it as a fact that there will be a considerable number of mills started in China which will

eventually compete with Bombay. They are starting now; that, I suppose, you are aware of?—I have heard that they have started. I have heard of some having been established at Shanghai, three or four, I think; but we have got well over 150 in India.

1119. You say: "Japan has become the largest "consumer of Indian raw cotton for her mills, and "the expansion of our trade in that and other direc- "tions with Japan has been extremely rapid, so rapid "as to more than compensate for the stagnation in "the China trade. If China were, in fact, to develop "a cotton-spinning and weaving industry, I feel "convinced that the progress to which such develop- "ment would testify would result in a large expansion "of our commercial intercourse with China, as in the "case of Japan"?—Yes.

1120. Japan does not grow cotton; it is dependent entirely for its cotton on America or India or elsewhere. China does grow some cotton?—China does grow some cotton, but it is not much good. China has always taken a considerable quantity of cotton from India for quilting purposes.

1121. You say it is not much good, but that same cotton—the China cotton—has been exported very largely to Japan. Surely, if the Japanese mills can use it, the Chinese cotton mills can use it?—I believe you will find that that represents a very very small item indeed in the exports to Japan.

1122. I was not aware of that. I have seen a great quantity of cotton shipped *from* Shanghai?—No doubt there is a certain quantity shipped, but it is nothing considerable. They could not possibly have a large cotton industry in China without taking Indian cotton. The export of cotton, as given by the Chinese Maritime Customs, was in 1897, 493,000 piculs (a picul is about 133 lbs.), so that the total is a little more than half a million cwt., which is not very much. But, in any case, if China introduces an orderly Government, and has banking and postal facilities, and so forth, and is thus enabled to increase her foreign trade, I should be very glad to see it, for the sake of India, because our intercourse with China would certainly very largely increase.

1123. They have very few mills now; if they had more mills they would want more cotton?—In 1896 the export was 418,000 piculs.

1124. But this is capable of very large expansion, as the demand for China cotton rises, and I think it will rise as mills are put up in Japan, and as mills are put up in China?—No doubt, if China is able to produce the cotton.

1125. Now, may I ask a question or two with regard to tea? If the rupee is maintained, under the proposed scheme of the Indian Government, at 1*s.* 4*d.*, and silver can be bought from China at, say, 26*d.*, that will give the China tea grower a very large advantage over the Ceylon grower—perhaps 50 or 60 per cent.?—I would say, in answer to that, that since June 1893 the China grower has had a very distinct advantage over India, if there is any advantage of that kind, and yet nothing has happened except that the China trade has fallen off very materially.

1126. But do not you think that, under such circumstances, there is a strong probability that the Chinaman, taking advantage of this large percentage, which has only recently arisen, will succeed in resuming his tea trade with the United Kingdom, and the Colonies, and America?—Since June 1893 there has been an alleged advantage of 10 per cent. and more in favour of the Chinaman, and he has done nothing with it.

1127. That is very different to 50 or 60 per cent. Do you not think there is very considerable danger of the Indian and Ceylon planter being ruined by this?—I think the Indian and Ceylon planters are perfectly capable of contending with the Chinaman, and beating him on his own field.

1128. Perhaps that would not apply to that class of small planter who owns his own garden—people who have no large body of shareholders to fall back upon?—I do not think they are at all likely to be hurt. Exchange is only one factor in the conditions of trade, and it is not so important as people think. The other factors of trade are very much more important, and we have a distinct advantage over China in freight, in facilities of transport, in manufacture and everything, not to mention taxation.

1129. If the planter in India and Ceylon were very much hurt by this handicap, do you not think that the Indian Government or the Home Government should adopt some special measures to protect that industry?—The protection of the industry would then have to be given at the expense of the general tax-payer.

1130. Now as to coffee. You compare here the coffee in Brazil and the prices of your Mysore and Ceylon coffee?—Yes.

1131. There is practically no Ceylon coffee?—That is so.

1132. I think you stated that the prices of coffee were very high?—Yes.

1133. I think in Brazil the price of coffee has been about the lowest ever known?—Yes.

1134. It is the coffee *per se* both in Ceylon and Mysore that you deal with?—The average price of East India coffee in London has been as follows:—

		s.	*d.*		*s.*	*d.*
1874	-	110	10	to	119	0
1878	-	95	3	"	119	0
1882	-	61	2	"	108	9
1886	-	58	2	"	101	8
1890	-	100	0	"	112	2
1891	-	98	0	"	111	6
1892	-	97	8	"	111	0
1893	-	98	8	"	111	4
1894	-	93	9	"	108	3
1895	-	92	5	"	109	4
1896	-	88	11	"	110	11
1897	-	82	11	"	107	0

From 1877 to 1886 there was a continued and heavy fall in prices from a level of about 100*s.* to a level of 52*s.* Since 1887 prices have been on a high level, with a tendency to fall during the last year or so.

1135. Now give us the Brazil prices, and you will find that coffee has gone from 60*s.* down to 30*s.*?—During the present year?

1136. During the last 12 months?—No doubt that may be so. Brazil has had a very great crop.

1137. As to the import of silver into India, which has been going on very largely lately, are you aware of the amount that has been imported for coinage into British dollars?—Yes, that is taken into account, because I am giving the net imports.

1138. That is becoming a very important factor. It was about 3,000,000 dollars the first year, 6,000,000 the second year, and for the last year over 24,000,000. They actually coined 33,000,000 dollars up to the end of April and in May they expect to coin 4,000,000 dollars in the Bombay mint?—Yes.

1139. That is a fact that ought to be brought out in dealing with imports of silver?—Yes.

1140. (*Mr. Holland.*) In regard to these tables that you put in showing the course of trade during the five years subsequent to the closing of the mints and five years anterior to that event. These tables show a small increase of 4 per cent. in imports and 5 per cent. in exports, but they do not, and could not, show what the increase would have been if the mints had not been closed. I suppose you would not like to express any opinion as to what the probable drift of trade would have been if the mints had not been closed?—What I said was that the closure of the mints had the effect of temporarily disturbing trade, but that it did not, and could not, and would not, have any permanent effect. Trade has been affected by quite a different set of factors.

1141. Then do you think that upon Indian trade the full effects have yet been realized of the closing of the mints, say, the effect on the internal trade of restricted currency or the effect on the foreign trade

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of stimulating competition in silver-using countries? Do you think that those full effects have yet been realized?—Yes, I think they must have been. I think we have had time enough during the five years to judge how far anything of that kind has had any influence.

1142. In reference to Indian trade you rightly say, that, of course, as with all kinds of trade, it must be influenced by the question of supply and demand, but do you not think that if any legislation takes place which has the effect of lowering the price, that will affect supply injuriously, inasmuch as it will diminish profit, and diminished profit, of course, sooner or later means diminished production?—Has there been any legislation affecting prices?

1143. That I am not prepared to say, but if any legislation were enacted that could be shown to have an injurious effect upon the rupee price of commodities, do you think that that would be injurious?—If there were any such legislation, I should think we should at once hear about it. No doubt trade would be affected if there were legislation injuriously affecting the price of goods.

1144. You admit that the closing of the mints, at any rate for a time, did introduce instability of exchange in regard to the exchanges with silver countries?—Yes, certainly.

1145. But you maintain, I think, that the effect of that instability on the trade with China has not been permanent?—No, it has not been permanent. Our trade with China is going on just as it used to go on before the closing of the mints.

1146. Then if the effect of instability is not permanent, does not that discount the value of stability generally?—No, it is a very important point in the conduct of commercial transactions that we should have a fixed factor in exchange.

1147. You say that it produces no permanent effect?—It does not produce any permanent effect on trade relations generally.

1148. With regard to mill building, I think you have already said that there has been cotton-mill building in China?—I am told that is so. They have three or four mills now at work in Shanghai, or about to work.

1149. Would it surprise you to hear that cotton-mill building in China is going ahead, and that the reason it has not gone ahead even more than it has is owing to the engineers' strike which took place last year, which interfered with the output of machinery for the starting of those new mills?—I should not be surprised to hear that; I should be rather glad to hear it.

1150. You referred to the mill building that had taken place in Japan. Can you tell us whether that took place under a gold standard or under a silver standard?—A good deal of it was before the war; since the war there has been a good deal more, and they have rather overdone it, I understand. That is very natural. They have had a very large inflow of money from the payment of the indemnity by China, and, as in the case of Germany after the Franco-German war, they have gone through rather an acute monetary crisis.

1151. You think the alteration of the standard has had nothing to do with it?—Not the slightest.

1152. You told us that notwithstanding the increase of mill building in Japan there has been some compensation in the way of increased trade with Japan, and you mentioned that there had been an increase in the exports of Indian cotton to Japan?—Yes.

1153. Do not you think it is a very poor consolation for the Bombay millowner to know that the raw material which otherwise he might himself have worked up is being taken by his competitors?—As a matter of fact the export of cotton yarn from Bombay shows an increase year by year.

1154. You will admit that the exports of yarn show a very trifling increase when compared with the enormous increase in the exports of raw cotton?—The ordinary normal exports I mean. The export of cotton to Japan is a new thing. If I were a Bombay millowner and I thought that my yarn was not going to be used, and that some Chinese or Japanese manufacturer would go past me and get the raw cotton and spin it himself, I should be greatly concerned; but that is not happening in India. While the export of raw cotton to Japan for manufacture has increased, our exports of cotton yarn have also increased.

1155. Are you in a position to say whether or not the Bombay mills are satisfied with the present position of things?—I do not think anyone is satisfied with the present position of things, because the present position of things involves the extremest uncertainty. What we want is a settlement.

1156. Do you admit that China has been greatly advantaged by this cheap silver?—No, not at all.

1157. You told us that wages had been increased, but not in proportion to the increase in prices?—Not quite so much.

1158. Then, to the extent of the difference, labour is disadvantaged?—No doubt that is so.

1159. Can you tell us, as a matter of information, if there are any trades unions in India?—Oh, no; we have occasional strikes, but there is nothing in the nature of trade unions in India yet, at all.

1160. You told us that the wages of labour in Indian mills had advanced 20 per cent.?—Quite that.

1161. Could you tell us whether the labour in China mills has also advanced?—I do not know about China. I know that in Japan the cost of labour has increased very largely.

1162. Since the gold standard?—Not since the gold standard; rather since the war. I may mention that the other day I came across a remark to the effect that in China wages have risen very high.

1163. You tell us that very large exports of gold have, in your opinion, been occasioned by the famine?—Probably, to some extent at all events.

1164. Do you think, to any extent, they may have been occasioned by the transfers of capital which we are told have occurred during the last few years?—It may be so. Gold is only merchandise, like anything else in India, and in default of having merchandise to export gold is shipped.

1165. You say a good deal of the imports of silver has gone to the native mints. How many of these mints are there?—There are not very many now. I have the figures here. There are 30 native mints on the list, but some of them have closed.

1166. But some are remaining open?—Some are remaining open. All the larger ones are closed.

1167. With those that are not closed I suppose business will be rather brisk?—No, it was rather brisk in 1893-4. Immediately following the closure of the mints there was a speculative coinage; but it was found not to be a paying business, and the thing has come down to normal proportions.

1168. You say that there is no reason to suppose that bar silver is being used for currency anywhere in India. I suppose there is no disability imposed upon bar silver being used for currency?—None whatever. If a man chooses to use bar silver as a medium of exchange he is free to do so.

1169. You admit that it is desirable to have a stable exchange, but do you not also admit that stability may be bought at too high a price?—Pretty nearly everything in the world may be bought at too high a price.

1170. In enumerating the effects of the closing of the mints, I notice you say nothing about the effect of the stringency of money currency. I suppose you do not think there is any connexion between the two?—No, I do not.

1171. But you are aware that some hold that a favourable rate of exchange has been brought about by the closing of the mints?—Yes. That would only operate, of course, through a contraction of the currency, but we have no evidence that there is any such contraction. In fact, if, holding the quantitative theory, you look at prices, you will see that, not only

is there no contraction, but that there is still redundancy.

1172. Then you disagree with those who say the closing of the mints has been the chief factor in improving the exchange?—It is one of the factors probably, but certainly it is not the principal factor, to my mind.

1173. Is it not conceivable that, indirectly, the closing of the mints may have some effect on the stringency of the market? The high rate of exchange might lead to the transfer of a large amount of capital from India, and that transfer of capital would lead to a stringency of the money market. So that the indirect effect of closing the mints would to some extent, account for the stringency of the money market?—In a way the closing of the mints, no doubt, is the cause of the prolonged stringency in the money market, because, if the mints were opened, the money market would be relieved by the importation of silver passed into the mints and then passed into the currency, and you would have your capital there; but if people choose to send out their capital in gold, the stringency would at once disappear.

1174. I understood you to tell us that it was the scarcity of loanable capital that was responsible for the stringency?—That is my view.

1175. Do you think that is the principal factor, or that it is not rather owing to the contraction of the currency?—There are certain distinctive features of a contraction of currency, and none of those are present on this occasion.

1176. You said also, if the exchange value of the rupee were to fall from 1*s.* 4*d.* to 10*d.*, a commercial crisis of unprecedented gravity would ensue?—I believe so. I have been informed by merchants in Calcutta and Bombay that they would regard such an event with the greatest alarm.

1177. But do you think there would be the same ground for alarm if the Government were to enter the market and make purchases of silver and coin it, with a view to approximating bullion and token values more nearly, and at the same time relieving the currency needs of the commercial community?—You mean bringing it about gradually?

1178. Yes?—I think it would probably act in this way: no one would feel inclined to enter into contracts, because nobody would know what the exchange would be next week. They would defer their operations until exchange fell.

1179. If capitalists here are of opinion that the return of their capital to India would be followed by a fall in the rate of exchange, are you surprised that they prefer to keep it on this side and not to send it back?—Of course it would require some sustaining elements on the other side. It would require the operations which we propose to undertake by the introduction of the gold standard.

1180. (*Mr. Hambro.*) Can you give us any idea as to the gold production of India during the five years in which you say the net imports had been 770,000 ounces, so as to get some idea of the gold that had been retained in the country during that time?—I have not the production of gold in India. I can get it for you.

1181. I only want to see how much gold has been retained in India during that period. I understand this to be the net balance?—The net importation after deducting exports.

1182. Therefore India also retains what she produces?—No, what was produced was exported. All the mines send their gold out of the country.

1183. Would not the amount of gold remaining in India be affected if the net of the imports and exports were 770,000 ounces and she also brought some out of the earth; that would make more remaining in India?—What was brought out of the earth was exported.

1184. The balance of the exports and imports was 770,000 ounces?—Yes, that remained after taking into account all that she sent out of the country, whether it was locally produced or had been imported before.

1185. But I think what she brought out of the earth would be an increase of so-called capital in the country or gold in the country, would it not?—Not unless it remained there.

1186. It all remained there, and 770,000 ounces came in?—The increased capital with reference to the gold mines would be the capital employed in extracting the gold—not the gold itself.

1187. Can you give us the statistics of how much was produced in those five years?—The production of gold in India is reported to be:—

1894	- -	211,770 ounces.
1895	- -	248,885 ,,
1896	- -	342,808 ,,

I have not got the figures for 1897 as yet.

1188. And could you give me any statistics of the increase of the rupee-using population?—In India?

1189. I said rupee-using population, so that Ceylon would also come in?—I have no statistics of the increase of population in Ceylon; but it would probably be much the same as India. In India we may take the increase of population to be something like 1 per cent. per year. We had about 287,000,000 in 1891, and you may say that it is something over 306,000,000 in India now, and 310,000,000 with Ceylon. I suppose there will be an increase since 1893 for the five years of somewhere near 20,000,000 in India.

1190. That is in British India alone?—In all India. The rupee-using population outside India is relatively very small. It is chiefly in Ceylon and Mauritius.

1191. And you consider the present rupee currency is sufficient at all times for the wants of the population?—At all times.

1192. Up to the present at any rate?—Up to the present moment we have had no indication whatever that there has been any actual scarcity of coin. To illustrate that I would say that I know of my own personal knowledge that in the interior of the country money has been available at any time, on the security usually considered good, at 8 per cent.

1193. Then you are not of opinion that 2 per cent. per month has been paid?—Not at all. Even in Calcutta I am aware that while the discount rate has been 12 per cent., and while it has gone even up to 13 per cent., you could always get money in the bazaars at lower rates.

1194. But I think you said that the flowing away from the centres, caused by the war, had decreased the amount of the currency in the centres, and thereby affected the exchange?—Affected the exchange, and affected especially the rate of discount.

1195. So that there was hardly enough currency, at any rate, to flow in the ordinary way through the centres?—There was not enough in the centres at that moment. It is just the case of a stringency of the money market, such as may occur, and does occur, in London or New York, or anywhere else. It is a dispersion of rupees, or a diversion. They are taken out of the places where they are ordinarily used and used elsewhere.

1196. So that, at the moment, the currency was hardly sufficient for the centres where it was wanted, as well as the other places?—It was quite sufficient for those other places.

1197. But not for the centres?—No, it was not enough there.

1198. Would you consider it wise, if possible, to have some currency law whereby the currency would increase or decrease automatically as necessity arose?—That would certainly be the ideal method.

1199. Do you think it would be a good way for India, if possible?—Certainly, much the best way, in fact, the only way, I think.

1200. I do not know whether this is a question which comes under your department. Do you think that, suppose a Bank of India were started with a gold capital, having power to issue notes and hold money against those notes, do not you think the native commercial people of India would rather borrow from

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that bank than from the money lenders at high rates?—No natives borrow money from money lenders at high rates except those who cannot obtain money from the banks now, that is, those who have no good security to offer, the classes who borrow on portable property in the way of pawn transactions.

1201. But I think it was stated in the evidence the other day that money had been borrowed on the security of gold at interest as high as 24 per cent. per annum?—I am not aware of anything of the kind happening, and I am not inclined to think it is true. The security must have been very bad.

1202. Gold?—It is impossible.

1203. (*Sir D. Barbour.*) But I understand that it was for a short period. I think it was said that there was something like a panic, and during the panic no business was done at the ordinary rates?—I suppose what is meant is, that there was such a stringency in the market, that although the bank rate was 12 or 13 per cent., the banks refused to lend at all; they wanted to keep hold of the money that they had got.

1204. (*Mr. Hambro.*) If the native could get an advance on his hoards from a bank such as I have described, do not you think he would be likely to take advantage of that?—I do not think so. The gold that was offered in the particular case you are speaking of was gold that was in the bazaar. It was not gold taken out of hoards; gold is not taken out of hoards. There are, in fact, no gold hoards, except those of the ruling chiefs. All the gold owned by the natives is in the form of ornaments worn on the person, except in the case of the great chiefs. In fact, with reference to the currency, you may say that we shall get no gold out of the store of gold that there really is in India. None would be brought into the market.

1205. You mentioned about the states that have the right of mintage. I think Baroda, Hyderabad, and Indore have mints of their own?—Yes. The Hyderabad mint ceased to coin in 1893. They found they were coining much too largely in excess of their requirements, and that the coin remained on their hands; it was an unprofitable speculation. I have here a statement of the quantity of coin which passed into the native mints since 1891. It is in tolas—a tola is three-eighths of an ounce. In 1891, 11,000,000 tolas; in 1892, 15½ millions; in 1893, nearly 20,000,000; in 1894 it came down to 8¾ millions; in 1895 it was nearly 11,000,000; in 1896, 12,000,000; in 1897, under 8,000,000. So that except in 1892 and 1893, you may say that the coinage in those mints has been a normal coinage.

1206. Then you think the large hoards of gold in India are quite unapproachable by any means?—Yes, I think so; because they are on the persons of the people; they are not hoarded in the earth and they are not intended to be placed on the market.

1207. They must be very rich people, because I think you estimate the total gold in India at 300,000,000*l.*?—If you divide that off amongst the people of India, you will find that the quota of each is extremely small.

1208. (*Sir D. Barbour.*) Is there any theory as to what has become of the old Indian gold coins? Are they hoarded?—They have all been melted. Whatever hoards there are of gold, are, you may say, in the form of bars or ornaments.

1209. And the gold in the market would come to how much?—It is very hard to say.

1210. 1,000,000*l.* or 2,000,000*l.*?—I should hardly put it at much beyond that. It is only a few of the big chiefs who have any hoards of gold.

1211. It used to be understood, when it was thought expedient to buy gold and send it to this country, that you could not get in the Indian market more than, say, half a million of gold at any time?—I should think it extremely doubtful whether you could get so much at any time.

1212. That is in the market?—In the market; yes.

1213. (*Mr. Hambro.*) I seem to have misapprehended one of your answers as to the increase of population in India. Did you mean the figure you gave for India alone?—India alone.

1214. (*Sir J. Muir.*) British India?—No, all India.

1215. The total population of all India is 312,000,000, about?—Say about 306,000,000.

1216. (*Mr. Hambro.*) There is one of your answers that I did not quite understand. You said the Government borrowing in India reduces capital. But is it not the fact that the Government, when it borrows, borrows in rupee currency?—It borrows in rupees, but it takes away the rupees from the floating capital which is available for commerce and industry.

1217. But it only borrows when it wants to pay it away again. It is only a temporary reduction of capital?—It does not pay it out in the particular places where the capital happens to be wanted.

1218. It is a temporary disturbance?—It is a temporary disturbance, but it might last a very long time.

1219. (*Sir D. Barbour.*) What you say is this, that floating capital or the capital available is reduced, but the currency is not reduced?—Not at all.

(*Mr. Hambro.*) But the Government borrows in currency.

1220. (*Sir D. Barbour.*) Yes, but the currency is paid to the people for whatever Government may want; it ceases to be loanable capital then; it is in the hands of the ryot?—Quite so, but there is no diminution of a single rupee.

1221. (*Mr. Hambro.*) You said that when the Secretary of State ceases drawing, exports decline, but by his ceasing drawing does not money get locked up in the treasuries, and so get tighter?—Money gets locked up in the treasuries, but when it gets locked up in the treasuries in that way it is available for the use of the public if they choose to buy Council bills.

1222. But the effect of his not drawing locks it up for a time, and so makes money tight in India?—Yes, for the time being.

1223. Might that not affect the exports?—It might, yes.

1224. So that the very effect of his not drawing, and making money tight, might prevent the exports for the time being?—Yes.

1225. Then tight money prevents exports?—Tight money will certainly have the effect of discouraging exports; no doubt it has, and all trade generally.

1226. Do you think the money is sufficient on the spot in India for the wants of all the exporters and of all the ryots and everybody at the present moment, even granting the figure of 220,000,000?—Do I think that that is enough?

1227. Yes?—Oh yes, I think so.

1228. (*Chairman.*) I should like to clear up this point. Either these figures are wrong, or I do not understand them. As to the net exports, that is the net amount retained in India of gold—imports over exports—I make out that for the last five years, according to the figures which have been given to us, the imports of gold into India have been Rx. 21,764,459, say, Rx. 21,700,000, and the exports have been Rx. 16,310,000 of gold?—My figures are in ounces.

1229. Your figure is 770,289 ounces?—Yes.

1230. Then in round figures you will take 4*l.* per ounce?—Yes.

1231. I make out a difference of upwards of 2,000,000?—Of course, you have to take exchange.

1232. It would not be a question of exchange upon gold, would it?—Oh, yes, of course.

1233. When you put here 10 rupees in gold, what price have you taken it at?—At the price of the day.

1234. The current rate of exchange?—Yes, say 4*l.* an ounce—3*l.* 17*s.* 9*d.* or 3*l.* 17*s.* 10*d.*, at the rate of the day; the rate at the time when the gold was

actually exported or imported. I do not take it on the average of the year.

1235. But these returns are for the year. Take the last year. The total amount of gold exported from India last year was Rx. 3,372,700, and the amount imported was Rx. 7,281,200, showing a balance to the good for India of Rx. 4,908,500, and I find that that agrees with the calculation elsewhere as to what they call the net imports. Now, I cannot reconcile your net imports with this, except that this is taken at the exchange value, but the value of gold does not alter?—The value of gold in India alters very much.

1236. You mean more rupees could be got for it?—Yes.

(*Sir D. Barbour.*) These figures of the India Office are, of course, based on Mr. O'Conor's figures, so that there ought not to be any discrepancy.

1237. (*Chairman.*) Perhaps you will look into that, because I want to be clear about the point. For instance, how is the mining in India dealt with?—It is treated as an export.

1238. Suppose I send 500*l.* to India, that is an import; India exports to you 500*l.* in gold, that is an export, and therefore there is nothing to be taken into account; but my friend, A.B.C., has a mine which produces him 500*l.*, where does that come in?—That comes in in the exports, if it is exported. My answer was: "All that is mined is exported."

(*Mr. Hambro.*) May I put it in in another way. My theory is that, if the exports and imports are balanced by 770,000 ounces, there is in India at the end of the year 770,000 ounces *plus* what India has produced during the year. If I bring 40 barrels through that door, and I send out 20, there are 20 in the room, and if I find 20 under the floor also there are again 40 in the room.

(*Mr. Campbell.*) If you export those 20 barrels they add to the exports.

(*Mr. Hambro.*) But they are not exported; they remain in the room.

(*Mr. Campbell.*) No, India exports all the gold she produces.

1239. (*Chairman.*) Let me put it in this way: Last year the figures show that there was imported into India Rx. 7,200,000 of gold. The gold was sent there in some way; I suppose it was sent from England or from somewhere else, or according to my construction of your figures it was found in the mines in India?—No. Mining is a custom house export.

1240. Then does that include the million or million and a half which was raised in India?—Yes, it does. It includes all the local production and the re-export of imported gold.

(*Mr. Hambro.*) But the other gold must be somewhere.

(*Sir D. Barbour.*) If the exports and imports of gold balance in any particular year, India is richer by one million at the end of that year, that being the amount of gold produced in India.

(*Witness.*) That is so, of course.

(*Mr. Hambro.*) She is richer by what she produces over what she exports.

1241. (*Mr. Campbell.*) It was anticipated, was it not, that when the mints were closed the exchange would rise to 1*s.* 4*d.*?—Yes, that was the general anticipation.

1242. But instead of rising, exchange for two years subsequent to 1893–94 fell very considerably?—Yes.

1243. And concurrently with that fall of exchange there was a very considerable rise in exports?—Yes.

1244. I see from your tables that in 1894–95 the exports rose from 110 to 117 crores, in the following year 1895–96 to 118 crores?—Yes.

1245. Exchange then having fallen to the neighbourhood of 1*s.* 1*d.*?—Yes.

1246. In 1893–94 the Government held for a high rate of exchange; they did not allow the exchange to take its natural course, and in that year the exports fell from Rx. 113,000,000 in 1892-93 to Rx. 110,000,000 in 1893–94?—Yes.

1247. Now as regards the effect on the imports. In 1893–94, when the Government attempted to maintain the exchange, imports rose from 83 crores in 1892–93 to 95 crores in 1894–95?—Yes.

1248. Then when the Government allowed exchange to take its own course again, there was a very heavy fall of imports?—Yes.

1249. They fell to 85 and 86 crores in these respective years?—Yes.

1250. Then, when exchange began to advance again in 1896–97 and 1897–98, exports fell to 108 and 104 crores?—Yes.

1251. Which, you say, was accounted for largely by the famine?—Yes; the decline was mainly in food grains, and in cotton, the crops having failed.

1252. But in these same years there was not only a fall in exports, but there was at the same time a rise in imports. The imports rose from 86 to 89 crores, and from 89 to 94 crores?—Yes.

1253. The famine would not account for that?—No; the famine, of course, did not account for the increase of imports; exchange accounted for that for the time being. There was a temporary stimulus given.

1254. Now I wish to draw your attention to the similarity with regard to the rise in 1893–94 to 1897–98. In 1893–94 exchange was kept from falling by the Council holding their bills and holding out for a high rate. Exports fell and imports rose to an extent which greatly altered the balance of trade?—Yes.

1255. Very much the same thing happened in 1897–98, but the reason was not in this case that the Government held their bills for a higher rate, but that in consequence of the war and the famine, they had not the bills to sell?—Quite so.

1256. I would like to draw your attention to some figures as bearing on the question of the effect of exchange on trade balances. In 1893–94 the Government budgeted for 18,700,000*l.*, they sold 9,500,000*l.*, at an average exchange of 1*s.* 2·54*d.*?—Yes.

1257. The trade balance in that year was Rs. 15·12·00,000; that is, the Government only drawing half its requirements, the trade balance shrank to Rs. 15·12·00,000?—Quite right.

1258. Next year the Government budgeted for 17,000,000*l.*, and sold their 17,000,000*l.*, but the rate they got was only 1*s.* 1·10*d.*?—Yes.

1259. The trade balance in that year expanded to 34 crores?—Yes.

1260. Very much the same thing happened in the following year: they budgeted 17,000,000*l.* and sold 17,500,000*l.*, the rate being 1*s.* 1·64*d.*, and the trade balance that year being Rs. 32·29·00,000?—Yes.

1261. In 1896–97 there came a change; they budgeted only for 16,500,000*l.*, and only sold 15,500,000*l.*, the rate they got was higher, namely, 1*s.* 2·45*d.* but the trade balance shrank to Rs. 19·63·00,000?—Yes.

1262. In 1897–98 they budgeted for 13,000,000*l.*, they only sold 8,800,000*l.*, they got an exchange of 1*s.* 3·40*d.*, the trade balance fell to Rs. 10·61·00,000?—Quite so.

1263. Does not this show a very close relation between the amount of the bills sold, the rate of exchange, and the trade balance?—Certainly. I do not think that the rate of exchange has anything to do with it, but it shows a very close relation between Council bills and the excess of exports over imports.

1264. But that is concurrent with the variation in exchange?—Yes, but I do not think the rate of exchange has had anything to do with the case. It is the amount required to be paid by India which has had everything to do with the case.

1265. We will come to that point about the effect on exchange a little later. Now take 1893–94. The Government sold about half their bills. They budgeted for 18,000,000*l.* and sold about 9½ millions?—Yes.

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1266. That was in consequence of their holding out for a nigher rate of exchange?—Yes.

1267. Would you agree that if they had accepted the market rate of exchange they would have been able to sell the whole of their 18,000,000*l.*?—Yes.

1268. But in that case would the trade balance have shrunk to 15 crores?—No, the trade balance would have corresponded to the amount of council bills.

1269. And does not that show that the rate of exchange has a very important effect?—Not the rate of exchange, but the amount the Secretary of State is pleased to draw.

1270. But the amount the Secretary of State is pleased to draw has an effect on exchange. He will not get the same for 18,000,000*l.* as he got for 9,000,000*l.*?—No, I suppose he would not. The rate of exchange follows. It is not a cause but a consequence of the operations.

1271. The trade balance is the consequence of both together?—The trade balance, I think, is really the consequence of the operation, caused by the amount that the Secretary of State calls upon India to pay. The excess we send out is the amount of our debt to the Secretary of State.

1272. Then you do not think that the fall in exchange has any influence in compelling trade balances?—There is always a temporary stimulus, I admit, but I am quite certain there is no permanent advantage to trade by the fall in exchange.

1273. Now take the movements in gold. In 1893-94, with the exchange at 1*s.* 2·54*d.*, the price of gold in India averaged about 26 rupees a tola?—I will take that from you.

1274. And India imported on balance 64 lakhs of rupees in gold?—That is so.

1275. In the following year, 1894-95, exchange fell to about 1*s.* 1*d.*?—Yes.

1276. And the price of gold in consequence rose to the neighbourhood of 30 rupees a tola?—Yes.

1277. And India, instead of importing any gold, exported a balance Rs. 49·74,00,000?—Yes an alteration of very nearly 5 crores.

1278. That is an alteration in the balance of trade in the item of gold alone of 5½ crores?—Yes.

1279. Is that due to anything else then the difference of exchange?—I may tell you that we have seen exactly the same thing before with open mints and with high and low exchange. It is just simply a question of the conditions of the time.

1280. But I suppose you would admit that if that five crores had not been exported, exchange would have fallen further than it did?—I suppose so.

1281. Then does it not follow that the exportation of five crores of gold in that year was a consequence of the fall of exchange from 1*s.* 2·54*d.* to 1*s.* 1*d.*?—I think that is very likely to have been immediately determined by the fall in exchange; possibly the holders of the gold wanted to get rid of it and get rupees instead.

1282. That is an instance of the effect of a low exchange on the balance of trade?—It is so for the time being, no doubt. An alteration in the rate of exchange would for the time being affect trade conditions, though in the long run, and generally speaking, it is the trade that affects exchange.

1283. They inter-act on one another, no doubt. As an illustration of the effect of exchange in compelling trade balances, take the year 1893-94, again, when the Government were holding for high rates. A Calcutta merchant sends an order to his Manchester correspondent for 10,000*l.* worth of goods at a rupee limit of price. The Manchester man knows what he can buy at, and the only other question is the exchange at which he can draw on Calcutta. The high rate caused by the Government's abstention from drawing enables him to draw on favourable terms, and the business is put through. On the other hand, a Liverpool merchant sends an order to Calcutta for 10,000*l.* worth of wheat at a sterling limit of price. The Calcutta merchant knows what he can buy at, and the only other question is the rate at which he can draw on London?—Also freight.

1284. Of course freight comes in in both cases. The higher rate which benefited the Manchester operation tells in the opposite direction in the case of the wheat operator, and makes the transaction impracticable?—Yes.

1285. Now you can imagine that a drop of, say 1*d.*, in the rupee might have altered the two cases entirely. It might have prevented the Manchester man from executing his order and enabled the Liverpool man to carry through the business?—Yes.

1286. So that in that case there would have been a double effect upon the trade balance, an export would have been prevented and an import facilitated?—Yes.

1287. That is an instance of the effect of a low exchange on the trade balance?—That is for the time being, but the people of India want only a definite quantity of Manchester goods, and if an excessive quantity is put into the country because the rate of exchange is high and it tempts people to send their goods in, there must be a reaction in the following year.

1288. But what I want to put to you is this, that a forced rate of exchange acts in the way of reducing the balance of trade necessary to enable India to pay its foreign obligations?—For the time being it does.

1289. And so long as that lasts?—It is only while the alteration is going on. When there is a sudden change you have that effect, but not afterwards.

1290. As long as the condition lasts it does operate in that way?—No, it only lasts for the time being. It lasts when the change begins to take place. Say exchange is 1*s.* 2*d.*, and suddenly you close the mints and raise the exchange to 1*s.* 4*d.*; that change causes an immediate demand for goods in India by people who want to profit by the high rate of exchange. But in the course of a few months all other conditions are adjusted and trade conditions resume the aspect which they had before the change occurred. You have a new set of conditions.

1291. But take the five years given in your table here. In 1893-94 you find the rate of exchange was 1*s.* 2·54*d.*, and you have a trade balance of 15 crores. In 1894-95 the exchange is 1*s.* 1·10*d.* and the trade increases to 34 crores. In the next year 1895-96 the exchange is 1*s.* 1·64*d.* and the trade balance is 32 crores. In the following year, 1896-97, you find a rise in exchange to 1*s.* 2·45*d.*, and you have a trade balance of 19 crores. It has fallen from 32 crores to 19 crores?—Yes.

1292. In 1897-98 you have an exchange higher still of 1*s.* 3·40*d.*, and the trade balance has shrunk to 10 crores 61 lakhs?—The only difference between us on that point is that you connect the excess with the rate of exchange. I connect it with the amount of the Secretary of State's bills.

1293. But a larger or smaller amount drawn by the Secretary of State means his obtaining a higher or a lower rate of exchange for what he has to draw?—That may be, but I say the rate of exchange there is a consequence and not a cause. What happens ultimately and essentially is that the excess of our exports over imports must depend on the debt we have to discharge, and upon nothing else.

1294. But you have to allow exchange to fall to the natural level in order to enable it to command the higher balance of trade necessary to enable you to use a larger amount of Council drawings?—I do not know what a natural level would be.

1295. It is whatever will allow the trade balance to be brought up to that point?—Or it may be anything that silver would represent.

1296. Silver is out of the question, now that the mints are closed?—Then there is no natural level for the rupee.

1297. There is no natural level, except the natural level which is brought about by the larger or smaller trade balance you require?—That larger or smaller amount is brought about by the demands of the Secretary of State on us.

1298. You say that there seems to be no reason to suppose that in normal years, the trade of India will not be large enough to carry off the total amount of Council bills. Is it on the experience of the past five years that you rely in expressing that opinion?—No, I rely on the experience of any number of years.

1299. But the conditions are changed now. The mints are closed. With closed mints you have only the past five years to rely upon?—Yes, but I rely also on the productive capacity of India.

1300. Productive capacity is one element. The importing power of India is another. It is trade balance; both productive capacity and importing power?—Yes.

1301. And I think the figures which I put to you just now, prove that that trade balance is materially affected by the rate of exchange?—I am afraid we shall not be able to agree on that point. I feel quite sure that it is only what the Secretary of State requires from us. The question is, are we able to pay our debts? If the Secretary of State calls upon us to pay 34, or 35, or 36 crores a year as the equivalent of what he draws, I do not see why we should not give him that 34, 35, or 36 crores, or even 40 crores.

1302. At a rate?—Of course, it is a question of price.

1303. But you talk of a rate of 1*s.* 4*d.*?—I do not mean a rate of exchange. It resolves itself into the question of price. We should have to increase our exports largely, and the question would arise, would Europe give us the prices that we want?

1304. Low exchange means a high rupee price, does it not?—No, I am not inclined to think that exchange has any real effect on prices.

1305. Not on the price of these exports of gold that I was speaking of just now?—On the rupee price of gold, yes.

1306. I am speaking of rupee prices; a low exchange means a high rupee price?—Gold has a uniform gold price. It only varies within very small limits, but that is the only article in the list of the world's commodities which has a uniform gold price.

1307. Then, besides enabling Council bills to be sold for 1*s.* 4*d.*, is it not necessary that India should be supplied with her currency as well?—Yes, but I think it will be a very long time before India will require to be supplied with a gold currency. For the time being, say for the next—well, I should not like to say how many—years, but for a good many years, she has a sufficient supply of silver without resorting to further currency.

1308. But the proposal is to send out gold, and issue notes against it?—Yes.

1309. That would increase the currency, would it not; the notes would be in circulation?—Is there such a proposal?

(*Chairman.*) I think it will be better to deal with this part of the question when we have Mr. Finlay.

1310. (*Mr. Campbell.*) I think you said that you would not rely upon any gold in the country going into the Treasury as currency?—No.

1311. But if gold can come out for export, as it does sometimes, if the Treasury price was better than the export price, would not that lead to it being sent in?—Yes, but this gold that is exported, is not any portion of the hoards of gold that we were referring to.

1312. But it is there available for export, and if it is available for export it would be be available to be sent in if the prices were suitable?—To the same extent.

1313. Then it is very much a question of price?—It is very much a question of price. It would be available for either export or melting purposes in India or for sale in India.

1314. (*Mr. Le Marchant.*) With regard to the valuation in Rx. of exports and imports, and therefore to the net balance—Would the valuation as given in the tables in Rx. be an actual mercantile value—an actual difference—or would the rate of exchange have to be taken into account in arriving at that?—The Rx. in this case, simply represents the rupee value; the rupee prices of the goods exported at the place at which they are exported.

1315. (*Mr. Hambro.*) On the day?—On that day.

1316. (*Mr. Le Marchant.*) And that might follow very closely on the market value in Europe?—Yes, in the case of a great many articles, it does.

1317. And equally with the imports?—Equally with the imports, yes.

1318. And just so far as that goes, it would be an actual and not an artificial sum?—No, quite an actual sum. There is no artificiality about it.

1319. With regard to the fall in imports after the resumption of Council bills, I think you were saying that, when the Secretary of State suspended the sale of Council bills, imports increased very materially?—Yes.

1320. And subsequently, on resuming sales, there was a reaction?—Yes.

1321. Would that have been caused by the excess imports taken during the suspension?—Yes, no other cause but that.

1322. Would that lead to the inference that after a time exceptional increases of exports, if attributed to exchange causes, would tend to find their level again—that is to say, that a reaction would occur after a rise?—It must do so, and always does.

1323. So that, taking the permanent effect, these changes would, as it were, work themselves out?—There is no visible permanent effect from them You see changes from year to year, but if you try to ascertain whether there has been a large increase in the volume of trade, you find nothing of the kind. There is simply the ordinary increase, and sometimes not even the ordinary increase.

1324. If you look back at the statistics of exports and imports during past years, can you connect increases of exports with a fall in exchange?—Not at all. I have made out a table which may be of some use in connection with that question. (*The witness produced a table.*) This is a table of the values of exports and the increase or decrease in those values, with the exchange rate each year and the increase and decrease in it. I can find no connexion between them. Sometimes when exchange rose exports increased; and sometimes they decreased. Sometimes when exchange fell, we had an increase in imports; at other times we had a decrease. Sometimes the thing was reversed; with a rise in exchange there was an increase in imports, and so on. There is really no connection between them.

1325. How far, while the mints were open, would the value of silver come in there so that it would in itself have been a determinant of exchange?—There is no silver in that at all; that is merchandise, excluding silver.

1326. But you say you trace no connexion with the rate of exchange; the rate of exchange then would have had a different cause influencing it, would it not?—The rate of exchange before the closure of the mints, of course, depended entirely on the value of silver.

1327. So that the relation of it to exports or imports would have been less direct?—No, it acted through the rupee, of course, wherever it did act.

1328. In fact, you would say the same principle applied then and now, so far as one can trace the connexion?—Yes.

1329. In regarding the relation of Council bills to exports and imports, would you regard the Secretary of State as practically competing for bills against exports?—Competing with what?

1330. That is to say, that he indirectly is bidding for export bills?—Yes, of course, he is bidding for export bills.

1331. And in that way stimulates exports?—Yes; that is to say, he must, necessarily, because his bills are actually an order on India for the export produce sold here and the price realised. So that the more orders he sends to India, the more goods must be shipped from India.

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1332. And in the reverse way with regard to imports?—Yes.

1332*a*. The offering of his bills tends to check them?—Yes.

1333. And so, taking both imports and exports, affects the balance of *trade*?—Yes; his bills, of course, are imports really into India.

1334. They have that effect?—Yes.

1335. Do you view the effect of his offering more or less Council bills as bearing chiefly on prices in India or on exchange, or would you view the two together?—I think the principal effect would be on prices in India.

1336. It is in effect bidding for exports?—Yes.

1337. And if a stable exchange were attained, whatever it might be, the effect would *still* show itself in prices?—According to the quantity of Council bills.

1338. That is to say, it does not necessarily imply an alteration of exchange if prices are capable of variation?—Quite so.

1339. (*Chairman.*) Are not the Secretary of State's bills a mode of remittance? Does not a Secretary of State's bill mean that he is providing in India the rupees for which he receives gold in London? It is a banking operation?—He receives the gold in London, and then he gives an order on India for the equivalent in rupees there to the exporter of goods.

1340. But the preliminary operation is the sale in India to London of the goods which have to be paid for in rupees in India, and instead of rupees being sent out to India and then sent back to London there to be turned into gold, the Secretary of State is entering upon banking operations?—I do not quite follow that.

1341. It is a transaction for paying in India rupees in exchange for gold which is received in London?—Quite so.

1342. It is a banking facility?—This 17,000,000*l.* or 18,000,000*l.* only represents the surplus of exports over imports in India. For the rest of it Council bills do not come in at all. There is an equation between exports and imports, and then over and above that there is what is represented by the Council bills.

1343. Assuming that there was no Secretary of State, and no money to be remitted, India would still carry on an export trade?—But the export trade would either be reduced to the level of the import trade, or the import trade would be raised to the level of the export trade, or both things would happen; so that there would be an equation.

1344. I do not see that there is as between the Secretary of State and India a mercantile operation. The mercantile operation is between the man who sells in India and the man who buys in London. The Secretary of State comes in as a banker merely. Is that so or is it not?—I am quite prepared to assent to that, except that in working the equation as between imports and exports in India, assuming, for the moment, that you have an import of Rx. 100,000,000, and that you have an export of Rx. 130,000,000, then, if you want to make the equation, you must get Rx. 30,000,000 on the other side of imports, and those Rx. 30,000,000 would represent the Secretary of State's Council bills.

1345. If it happened to be the amount which India owed?—Yes.

1346. (*Sir D. Barbour.*) The Secretary of State has to draw, say 17,000,000*l.* sterling, but the possibility of his drawing that 17,000,000*l.* sterling depends upon his inducing somebody to export 17,000,000*l.* worth of produce from India over and above what is sufficient to pay the ordinary mercantile charge against India?—Exactly; that is the position.

1347. It is a banking transaction, but, like all such banking transactions, it has got to be based upon merchandise?—That is about it.

1348. (*Mr. Le Marchant.*) Does the mercantile transaction tend to follow the banking operation, or the banking operation follow the mercantile transaction? I understood a suggestion to be made that the necessity for remittances of the Secretary of State did tend to increase the amount of exports, or diminish the amount of imports?—If the Secretary of State decides not to draw any further bills, say he reduces his bills by 10,000,000*l.*, exports would be reduced by 10,000,000*l.*; therefore, I think it follows that the mercantile transaction follows the Secretary of State's bills.

1349. (*Chairman.*) Suppose the Secretary of State drew nothing, and supposing that India was able to meet the payment of her debt, or the interest on her debt, say out of gold produced in India, that would not limit her other mercantile transactions?—No.

1350. Would the people who have got indigo and tea and jute to sell, sell as much as they could—as much as the world would take of them, totally irrespective of whether they owed the Secretary of State money or not?—But in that case the imports would be increased proportionately.

1351. Of course; but my point is this, that the trade of India *qua* the trade of India has nothing to do with the Secretary of State at all. He is the banker. Supposing the Secretary of State were to transfer the whole of his operations to the Bank of England, it would not affect the trade of India?—But the whole amount of his Council bills has to be met from exports.

(*Sir Charles Crosthwaite.*) Suppose the debt due by India to England were wiped out altogether, India would go on exporting and importing just in the same way as the United States does.

(*Witness.*) The relative proportions of exports and imports would be altered, that is all.

1352. (*Chairman.*) But assuming that India became so prosperous a country that she paid off the whole of her debt and that nothing had to be sent to England except the expenses of government, which, of course, are a mere bagatelle, India would go on producing, and the world would go on buying?—Yes.

(Adjourned.)

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1353. (*Chairman.*) We will resume your evidence on two or three points, as some of the members of the Committee want a little further information from you. First of all, about the contraction of the currency. Do you consider that the contraction of the currency, in so far as the coining of rupees on the demand of the public has ceased since 1893, is as large as would seem by reference exclusively to the statistics of coinage?—Not nearly so large; in fact, I may say I doubt whether there has been any real contraction as yet.

1354. Are there any counteracting factors to be reckoned with which have had the effect of appreciably lessening the apparent extent of the contraction?—Yes. In the first place, the melting of rupees ceased with the closure of the mints, and this use of rupees for the manufacture of ornaments certainly withdrew from circulation a very large proportion of coined rupees. In the next place it seems probable, that some rupees were drawn out of hoards shortly after the closing of the mints, and no doubt a good many more have been drawn out of hoards during the course of the famine which lasted for over 12 months. So far as that went, the operation of contraction was counteracted; but it is also to be taken into consideration that, when the mints were closed, the currency was undoubtedly redundant, if we look both at the rate of discount which prevailed during that time and for some time after, and if we look also at the range of prices. It may be also pointed out

that the imports of silver and the coinage of rupees just before the closure of the mints had been extremely large. The figures are these: From 1875–76 to 1884–85 we received into the mints Rx. 66,175,000; from 1885–86 to 1894–95 we received into the mints Rx. 77,933,000—a very large increase—an excess in the last ten years of Rx. 11¾ millions. That amount seems to prove, with the rate of discount and with the circulation of notes of very large values, that the currency at the time was redundant. As regards the currency note circulation, it is certainly not conclusive evidence in itself, but still it bears on the point. The notes are of various denominations, the largest being 10,000 rupees. These large notes do not ordinarily go into circulation, but they are a rather favourite method in which to keep the reserves of the banks when they have anything like superfluous reserves. If we look at the circulation of these notes, starting from 1887–88, we begin with 2¼ crores. Then in the next year, 1888–89, it was under 2 crores. In 1889–90 it was 1¾ crores. Then the amount rose suddenly in 1890–91 to 7¼ crores, falling in the next year to 5 crores 20 lakhs. Then it went to 5 crores 4 lakhs, and still further to 11 crores 96 lakhs—say 12 crores—in 1893–94; that is the year in which the mints were closed. Then it fell to 6¼ crores, to 3¾ crores, and to under 3; that was in 1896–97. It will thus be seen that until the closure of the mints there was an enormous increase in these notes, which do not go into circulation, but which are known to be notes in which banks keep their reserves. The maximum rate of discount—the bank rate—in 1890 was 12 per cent., in 1890–91 4 per cent., in 1891–92 the maximum rate was 5 per cent. In 1893, 7 per cent. In 1894 it began to go up again, rising to 10 per cent.; in 1895 it was 7 per cent. These rates lasted for a short period. In 1896 and 1897 the maximum rate was 10 per cent. In 1898 it rose again to 12 per cent. in April. I think in Bombay it went up afterwards to 13 per cent.

Then economies in the employment of currency have been in operation. The very large increase of railways has conduced greatly to increase the activity of the circulation, and the savings banks deposits have increased by about 1¼ crores between 1892–93 and 1896–97, this sum consisting of rupees which, we may take it, if they had not been put into the savings banks, would have been kept in the waist-cloths of the people or in their houses. Also, there has been a very large increase in the use of money orders, cheques, and drafts.

1355. Then upon the whole you regard these various matters that you have mentioned as having appreciably lessened the apparent extent of the contraction of the currency?—On the whole I should think that the apparent contraction is not a real contraction—that, perhaps, there has been no contraction at all.

1356. Would a contraction of the currency be followed necessarily by a fall in prices?—Yes, if the contraction was not accompanied by a contraction of mercantile transactions, it must necessarily be accompanied by a fall in prices—not immediately perhaps, but certainly after a time.

1357. Has there been any such fall in the prices of commodities?—No, there has been no fall in the prices of commodities. Prices, on the contrary, have during recent years been maintained at an extraordinary high level. I shall show presently that there has been no contraction of the volume of trade, and if there has been no such contraction, there ought to be some tendency towards a fall in prices. Now take the retail prices of food grains in the interior anywhere. Let us take rice, for which there was in November 1894 a rate of 11¼ seers per rupee. In November 1895 the rate was 15·5; that is to say, prices were lower. In November 1896 the rate was 8 seers; and in November 1897, after the autumn harvest was reaped, the price had only fallen to 12·5 seers per rupee. At the end of March 1898, although another very good rice crop had been reaped meanwhile, the price was still only 12 seers.

1358. Would that be affected by the famine?—We have had good crops of rice and wheat and other grain since. The facts are similar with regard to wheat, barley, jawar, bajra, gram, and ragi. These are the staple food grains of India; and with regard to all of them, we find that while prices were very largely affected during the progress of the famine, and that they have begun to fall since the famine ceased, still, although there have been two good harvests since then, prices still range at a higher level than that at which they ranged before the famine began.

1359. Does that apply to any other commodities besides food grains?—It applies to all food commodities produced in India, because they all suffered more or less from the conditions of the seasons. I do not say it applies to imports.

1360. (*Sir A. Dent.*) Are these Calcutta prices?—They are the prices all over the country. In the different provinces in which these grains are consumed, Bengal, the Central Provinces, the Punjab, North-Western Provinces, Madras, Bombay, and so on.

1361. (*Chairman.*) You say, as I understand, as a general observation, that of all the commodities produced in India the prices have not fallen?—Prices have not fallen, at least not fallen in anything like the degree which would indicate anything approaching a sensible contraction of the currency.

1362. Now can you give me any information as to the nature and extent of the hoards of gold and silver in India?—It is not possible to give any statistical information on that point.

1363. Gold is not legal tender in India, is it?—No.

1364. I suppose all the metal that is imported into India is either absorbed into manufactures or is hoarded?—All the gold always has been so used.

1365. Since Lord Dalhousie demonetised gold in 1853?—I do not believe there is any gold hoarded either as bars or as coin, except in those very few hoards which are kept by some of the ruling princes. Ordinarily all the gold hoarded by the people is converted into ornaments and worn on the person.

1366. If gold were legal tender, do you think that that would tend to increase the absorption of the metal either in the arts or in hoards, or in both?—Gold is at the present moment, and always has been, the most marketable commodity in the country. If a man wanted gold the fact that gold was legal tender would make no difference whatever in that respect, and in the facility with which he could obtain it or dispose of it. It would also make no difference, as regards his desire to hoard, whether the coin was legal tender or not. If it should be assumed that because the gold was legal tender it would therefore be a temptation to him to take it for the purpose of adding to his hoards, that would imply that either his profits had increased suddenly and largely from some temporary cause, or that he was depriving himself of something else—cloth, copper pots and pans, or other articles of consumption—for the purpose of procuring gold ornaments. There is no reason why he should do anything of the kind.

1367. Do you know, as a fact, whether there was a scarcity of rupees in the markets of the interior during the last two years in the commercial centres?—All my information is that there was no scarcity at all. There was a scarcity of credit, but not of currency. Persons dealing with the exchange banks found it difficult to obtain money from the exchange banks because the exchange banks had not money to give them; but all those—and they were the large majority—who dealt in their own money, carried on their business without difficulty.

1368. Was the *internal* trade carried on as actively as before?—Quite as actively. In this connection I should like to bring before the Committee a letter I received the other day from Calcutta, from a friend of mine who is actively engaged in the export trade. He wrote to me: "Following up what we wrote about

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"money being so much cheaper in the bazaar than "with the banks, I hear from Delhi that the same "thing has been in operation there. The mills there "used to go to the —— Bank for finance, but that "institution has been charging 8 per cent., so they "went to the bazaar for their advances, and got them "at 6 per cent."

1369. When was that?—The date of that letter is the 22nd June. All this time, while there was said to be a serious stringency in the money market, following a contraction of the currency, the internal trade was carried on with great activity and without difficulty as I will show presently when I come to the figures showing the extent of the internal trade.

1370. Is it the case that prices in Ceylon have remained unchanged during this period?—I have no direct information in regard to Ceylon, but all the labour employed in tea-gardens goes from Southern India.

1371. (*Sir J. Muir.*) All?—Yes.

1372. Is there no native labour in Ceylon?—None to speak of; the Cingalese will not work in the tea gardens, they prefer to work in their own fields, grow spices, cocoanuts, and other things, rather than as coolies for wages. There is some native labour, of course, but it is very small. The number of labourers going from Southern India to Ceylon was, in 1893–94, 32,830; in 1894–95, 45,004; and in 1895–96, 71,749. These people work the tea estates in Ceylon, and all the rice and other food that they eat is also imported from Southern India. In Southern India the wages of agricultural labourers have increased by about 20 per cent., a large part of the increase dating from about 1884. Between 1884 and 1886, I may say, is the period when all prices began to rise in India.

1373. (*Chairman.*) Is that such labour as labour upon tea estates and coffee estates?—Just that labour—agricultural labour. As regards the price of rice in Southern India, I may say I have been frequently referred to by officials in Southern India as to the reason for the great increase in the price of food grains there.

1374. The general effect of all that, and of any additional tables which you may put in here, is that there has been a rise of prices?—Yes; what I desire to say is, that as there has been a rise of prices of food grains and a rise in wages of agricultural labour in Southern India, and as both the food grains and the agricultural labour are obtained in Ceylon from Southern India it seems to me difficult to argue that the wages of labour in Ceylon have not risen. It has been suggested, I think, that the construction of the railway in Ceylon may have reduced the cost of transport to such a degree as to reduce the cost of food grains there, but just the same process has been going on in Southern India. During all this period we have been covering Southern India with a network of railways, and yet the price of food grains and of labour has been increasing. I should say it is reasonable to infer that the same process would have been going on in Ceylon.

1375. Can you furnish the Committee with any figures showing the agricultural capacity of India. Is there much land still available for the increased cultivation of exportable products?—Under the head of "culturable waste" the figures show that there are about 100,000,000 acres of culturable waste still left in India.

1376. That is over the whole of India?—Over the whole of India; it is land which has never been put under cultivation.

1377. But it could be put under cultivation?—Yes, and produce crops.

1378. What crops?—Any crops.

1379. Tea?—Not all or much of it would produce tea. The area from which crops are taken amounts to, say, 190,000,000 acres.

1380. The area which is already cultivated is 190,000,000 acres, and you consider that that could be increased by another 100,000,000?—Yes, but there is also fallow land, say 40,000,000 acres which may be included in the figures. The cultivated area may, therefore, be taken at 230,000,000 acres, and you may add to that another 100,000,000 as land from which crops can be taken. Moreover, the area from which crops are now taken might be made much more productive by the increase of irrigation and better cultivation.

1381. Have you any figures to show what is the extent of the internal trade of India at present, and whether there is any likelihood of its expanding much beyond its present dimensions?—The question is, what is the internal trade? Internal trade, I take it, includes the quantity and value of every article that a man produces and passes on to another. That cannot be obtained either in India or any other country. In India we can record only that portion of the internal trade or exchanges which passes over certain routes. We have got the railway trade and the river trade—part of the latter at all events. Taking the trade carried by railway and river, or rather that part of it which is carried by railway and river from one province to another, and excluding that part of it which is carried to the sea-ports (which is mainly dependent on the extent of the foreign trade) the following figures show the extent of the trade:—

Quantity of goods carried by rail and river from one province to another, excluding goods carried to the ports:—

1891–92	- -	131,911,000 maunds.
1892–93	- -	130,451,000 "
1893–94	- -	136,493,000 "
1894–95	- -	159,781,000 "
1895–96	- -	157,559,700 "
1896–97	- -	167,065,640 "

The weight of merchandise carried to the ports in the same period was:—

1891–92	- -	184,405,000 maunds.
1892–93	- -	165,781,000 "
1893–94	- -	174,672,000 "
1894–95	- -	173,961,000 "
1895–96	- -	185,199,700 "
1896–97	- -	168,105,466 "

The figures for the first nine months of the year 1897–98 ending 31st December 1897 (the latest yet received) also show increased activity. Between provinces, excluding goods carried to the ports, the figures are for the first nine months: 1895, 115,701,738 maunds; 1896, 120,837,785 maunds; 1897, 129,556,095 maunds. The weight of goods carried to the ports also for the same periods was as follows: 1895, 138,788,881 maunds; 1896, 129,314,471 maunds; 1897, 139,318,764 maunds. The total weight carried by rail and river I take to be about 9,000,000 tons. Then the coasting trade, which has also proceeded actively, amounts to about 12½ million tons. There is also the trans-frontier trade, which, however, is small. We may take 22,000,000 tons to represent the dimensions of the internal trade, and that is susceptible of indefinite development.

1382. In fact as railways increase trade expands?—Yes. It has, in fact, become proverbial now in India that "railways make trade."

1383. And anyone who maintains that the construction of railways is antagonistic to the trade of India, would maintain a proposition from which you would dissent?—Absolutely and entirely, but I venture to think that we should construct them only in accordance with our means.

1384. That is another question. You mean that railways are very good and excellent things, but that we must not go too fast even with them?—Just so.

1385. Now have you anything to say about wages in the large commercial ports of India?—The wages in the commercial ports of India have risen very largely. The point I wanted to bring before the Committee in this connection was this. The statement has been made that though wages have risen in these

commercial ports they have not risen in the interior of the country. My information is not to that effect. Wages have risen in the interior of the country. Wherever there has been any industrial operation brought into existence, whether in Cawnpore or Delhi or anywhere, there wages have risen at once.

1386. To what extent?—Wages altogether, I make out, have risen to the extent of about 20 per cent.

1387. Do you mean wages of unskilled labour, or of skilled labour?—Skilled labour has risen 25 to 30 per cent, unskilled labour has also risen, but not so largely, and there are parts of the country where unskilled labour has hardly risen at all. One of these places was mentioned the other day, a place called Mirzapore. It was stated on the authority of Sir Alexander Wilson, that the wages in the lac factories at Mirzapore had not risen at all. Well, it is a very exceptional case. Mirzapore was at one time an important commercial centre and a highway of traffic for all sorts of goods, but there is now nothing left there in the way of commerce except some small lac factories—which are not factories as generally understood. In such a place wages may have remained on the old level, and not improved in the last 20 years, but that is quite an exceptional place, and against it you could put 50 or 100 places which are not exceptional, where wages have increased. In fact, it may be said that there has been a general increase practically everywhere.

1388. Where do you consider that the advantage of a fall of exchange goes?—It seems to me that the greater part of it must go to the middleman.

1389. Do you mean by that the merchants?—I mean the merchants mostly.

1390. You mean it does not go to the cultivator?—The advantage of a fall in exchange, so far as that is an advantage, is a merely temporary advantage which occurs during the course of a transaction between two countries. During the course of that transaction the cultivator has nothing to do with the goods; they are in the hands of the merchant. It is either the merchant in England or the merchant in India who gets the benefit from the fall of exchange occurring during the time the transaction is in progress.

1391. Is there any adjustment of prices following a fall of exchange?—The advantage of a fall of exchange is entirely temporary, because directly there is a fall of exchange prices are adjusted, and when these prices are adjusted the cultivator receives a smaller price; so that he has no advantage—at least nothing to speak of. He would get an advantage if there was a permanent stimulus, and a permanent increased demand for his goods; but as the advantage, whatever it is, is entirely temporary and merely lasts only through the course of the transaction it seems to me that the cultivator gets very little, if anything, out of it.

1392. Let us take a concrete case. Take tea, say, that a pound's worth of tea is sold in London at a gold price which in one case would produce 15 rupees and in another case would produce 18 rupees; there is a margin of 3 rupees in the £ who would that go to?—In that case the tea-planter is also the exporter. There is no middleman to deal with. At least I take it generally that there is no middleman, and therefore the tea-planter and exporter would get the advantage if he had not sold his tea, if he were shipping his tea home, and exchange fell and prices did not fall at once before he had sold his tea.

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1393. (*Sir F. Mowatt.*) You mean if prices fell between the time when he shipped his tea and the time he sold it?—Exactly.

1394. (*Chairman.*) I am not talking of exchange falling?—If exchange falls he gets the benefit.

1395. But suppose exchange is low when he makes his contract in London?—If he has made his contract and has sold his tea he gets nothing out of the fall of exchange. He cannot get anything; he has done with the business, he has sold his tea at a certain price. One of the factors in the result of a particular operation is the rate of exchange; if the tea had not been sold and exchange fell ½*d.* he would get the full benefit of the ½*d.*, provided the price did not fall before he was able to sell.

1396. With regard to the export of wheat depending on the gold price, will you tell us has there been an increase in the price of wheat?—Taking the price of wheat in March 1873 to be represented by 100, the price has varied since as follows:—

1874	75	1886	80
1875	80	1887	89
1876	84	1888	86
1877	93	1889	95
1878	119	1890	84
1879	116	1891	87
1880	115	1892	103
1881	96	1893	93
1882	97	1894	80
1883	87	1895	82
1884	86	1896	81
1885	74	1897	152

These figures seem to show that, except in seasons of deficient harvest, there has been no large increase in the wholesale price of wheat at the place of export.

1397. We have had it before us in evidence that the closing of the mints has caused great dissatisfaction among the people of India. Have you anything to say about that?—The Government of India receive translations of all the important articles published in the native papers from week to week, and these are always closely examined, but we have never found any reference to anything like dissatisfaction as arising out of the closure of the mints. We have found that repeated efforts have been made from England to arouse such dissatisfaction and to generate some expression of discontent; but ever since 1893 there is really no reference to anything of the kind, except now and then, perhaps, in one or two Bengali papers, which wrote about the matter in a very ignorant manner. Speaking generally, there is absolutely no response to all the incitement to express discontent with the action of the Government of India in 1893. In fact, I may go so far as to say that it would be just as reasonable to assert that the present rebellion in China arises out of the depreciated currency there as to assert that there is any dissatisfaction in India arising out of the closure of the mints.

Adjourned.

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1398. (*Chairman.*) I now come to the question of illicit coinage. Since you were here with us before it has been stated that there is a large illicit coinage of rupees, amounting to a half per cent. of the circulation according to statements that have been made here. Then it is also stated that even in the Calcutta mint it is found impossible to detect these illicit rupees without the aid of the magnifying glass and assaying. Reference has also been made to the recent discovery of a large coinage of Furruckabad rupees at Bombay?—In my first examination, I put in a statement of the cases of illicit coinage that have been discovered, from which it was clear that there was no increase in the average number of such cases. Close attention has been given by the Government of India since the closure of the mints to the apprehension of a large increase of illicit coinage, but no evidence whatever has been adduced that anything of the kind has been happening. All the facts point to great difficulty in the conduct of large illicit operations in India. To begin with there is in France, in England, in Germany, and in the United States, an enormous silver currency which is much more overrated than the rupee currency in India, but there seems to be no illicit coinage in those coun-

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tries. It is much more easy, however, in those countries to carry on illicit coinage without detection for a long period than it is in India. Consider the machinery required for the coinage of silver rupees on any large scale in India. The machinery cannot be made there. It must be imported, and is therefore subject to the risk of detection by the Custom House and confiscation. Assuming that it is successfully imported, its purchase at considerable cost must be followed by the further purchase of silver at more heavy cost. Then to carry on illicit coinage to any large extent there must be confederates, and at any moment the coiners are subject to the risk of detection. I do not know where are the capitalists in India who would thus risk their money with the additional risk of transportation to the Andamans for life. Capital is timid everywhere, but the native capitalist is particularly timid. As regards the case of the Furruckabad rupees in Bombay, I may say that this coinage has been going on at Bombay for a great many years. Ever since those rupees were removed from the currency silversmiths have been making them, as well as all sorts of uncurrent and foreign coins—Turkish coins, for instance. They are used for ornaments. In this particular case that has just occurred, the defence of the people who were charged with the offence was that they really did not know that the coinage was an offence; they said that these rupees are not money and they thought they had a right to coin them.

1399. They were coining them as ornaments?—They were coining them as ornaments.

1400. To what extent had it gone?—The newspapers say that there were about 60,000 rupees coined.

1401. Have the Government seized them?—Yes, I gather that they have been seized, together with the implements. As a matter of fact, I understand that these coins were cast, and that leads me to say that it is a simple matter to differentiate coin that has been coined in a machine where the milling is done by a collar, from coin which is cast, because in the latter there is the mark of the opening in the casting mould.

1402. Then, practically, on that point, you are not prepared to modify your opinion that there is no large illicit coining?—There is less danger of it in India than in any other country, and in other countries the danger is not considered serious. An alarm was raised, for instance, as to the coinage of Java guilders. As far as I have been able to learn, however, there was very slight foundation for the alarm, yet those coins are rated at the equivalent of 1*s.* 8*d.* as against our equivalent of 1*s.* 4*d.*

1403. Do you think that there is any danger of the displacement of British rupees by coins of the native States?—No, the idea underlying that impression is that bad coin drives out good coin, but the assumption is correct only if both coins serve the same purpose. Now, the native coin does not serve the same purpose as the British coin. The British coin in a native State is taken freely because it is good for all purposes inside the State and outside the State. The native coin outside native territory, when it comes into British territory, is no good for any purposes connected with the payment of revenue or payments into the post offices or telegraph offices, or to railways, municipalities, or district boards. It is a very restricted sphere indeed that the native coin fills outside native territory. I believe that instead of any displacement of our coin having taken place, our coin has largely displaced native coin in the native States. Two States, Bhopal and Kashmir, have abandoned their own coinage and substituted ours, and a third large State is on the point of doing the same. Moreover, the native States have been coining on but a small scale during the last three years. During the year that preceded the closing of the mints and the year of the closure, in 1892 and 1893, there was an excessive coinage in the native States. Since then the coinage has been comparatively small, and it appears from the statistics that a large proportion of that coinage, small as it is, is the re-coinage of old rupees of the native States. There is another point I should mention. With the exception of the Hyderabad Railway, all the railways that run through native States require all payments for passenger and goods to be made in British rupees. It would seem therefore that there need be no fear of a displacement of British rupees.

1404. (*Sir F. Mowatt.*) May I ask whether the railway companies you mention find any difficulty in getting British rupees?—Never at any time.

1405. (*Chairman.*) Does India compete with the United States in cotton and wheat?—No. I have repeatedly had to explain in writing about the trade of India, that, both in cotton and wheat, what we do is chiefly to supplement the supply from the United States and other countries, not to compete with it. Let me take, first, the case of cotton. American cotton is a long stapled cotton adapted for the weaving of fine goods. Ours is coarser, suitable for stout yarn and coarse goods. A large quantity of Indian cotton was used in the Lancashire mills at one time, mainly for the purpose of manufacturing goods to be sent to us in India, because we were the largest consumers of that class of goods. Now the manufacture of such goods has been transferred to India, and the consequence is that practically none of our cotton is used in Lancashire. Some of our cotton comes to England, but it is mostly re-exported to be manufactured on the Continent. What they use in this country is the long stapled American cotton.

1406. You mean it would not be worth their while to alter their machinery to use with your short stapled cotton?—That is so. Our cotton, so far as it is sent to Europe, is destined for the the Continent where it is used for the weaving of the coarse blouses and pantaloons of the working classes, for which goods the American cotton is not so economical or so well suited. The greater part of our cotton now goes to Asiatic countries, Japan being a very large consumer, that country making the same class of goods that we are making in India—coarse goods, for which American cotton would not be suitable. I do not say that no American cotton goes to Japan—a certain proportion does go, and if American cotton should be heavily reduced in price, it would probably come into effective competition with Indian cotton, but this is not yet the case.

1407. At all events you have another competitor now with reference to better class cotton, in Egypt?—Yes, and Brazilian cotton is rather good, too.

1408. Would you be prepared to maintain that a bounty on the export of articles like cotton from India would be desirable?—Not in the least.

1409. Now about wheat?—The case is much the same with regard to wheat as with regard to cotton. Our wheat is supplemental to and not competitive with United States or Russian wheat. When the United States or Russian crops are small and there is a scarcity in the European market, our wheat comes in, but, generally, our wheat is not much wanted. Although with a declining exchange we ought to find that the export has increased, according to the theories of some people, you will find that it has not increased, on the contrary, it has fallen off.

1410. That is not owing to the famine?—The famine only applies to last year, but I refer to the conditions of the wheat trade generally in past years. I have here a table of the exports of wheat from 1881 down to 1895–96, the year before the famine. Before the Suez Canal was opened in 1870 it was impossible for us to export wheat at all. After the Canal was opened and the export duty removed because it prevented trade, shipments were made on an increasing scale, but there was no really large trade until 1881, in which year indeed it may be said that the trade really began.

Since then the progress of the trade has been as follows:—

Three years ending	1883–84	18,321,474
„	1886–87	19,718,197
„	1889–90	14,982,491
„	1892–93	19,865,791
„	1895–96	9,682,418

It is clear, therefore, that there has been no increase in the volume of the trade. The period ending in 1892-93 was one of considerable trade because it includes 1891-92, in which year there was a great deficiency in the European wheat harvest especially in Southern Russia, and the demand for Indian wheat was so exceptional that the exports in that year were the largest on record. Apart from an exceptional incident of that sort the trade keeps within small limits. In 1896-97 and 1897-98 the trade collapsed, as a result of a failure of crops and high range of prices in India. Since April the trade has revived with an abundant Indian harvest and a high range of rices in Europe and the United States.

1411. I suppose there is a very considerable increase of consumption of wheat in India?—I hope so. There is a large increase in population, and with increased prosperity a man prefers wheat to jawar and other inferior grain. I think that India has increased in prosperity, and, therefore, I hope there has been an increased consumption of wheat in India.

1412. Do you consider that a bounty on the export of wheat is desirable?—I do not.

1413. Is it the fact that the imports of Manchester goods into India increased as exchange fell in greater or less proportion than other imports?—I was surprised to hear the statement made before this Committee that the import of Manchester goods had largely increased as exchange fell. As a matter of fact, I have had to bring to notice very frequently in my annual review of the trade of India the fact that the import trade in Manchester goods has been practically stationary for a number of years. The principal imports of Manchester goods are what are called grey goods, that is, unbleached coarse goods. The figures, in millions of yards, starting with 1886-87, are as follows: 1,356; 1,180; 1,347; 1,257; 1,280; 1,173; 1,092; 1,314; 1,352; 1,066; 1,223. That is down to 1896-97.

1414. You think they have been practically stationary?—Considering that the population of India during these years increased by certainly 30,000,000, and that those additional 30,000,000 would require, on a most moderate estimate, 30,000,000 yards at least in a year, it may be said that the importation has fallen off.

1415. Of course, there has been a very large increase of production in India?—That is what has happened.

1416. Therefore, you do not admit that the import of Manchester goods into India has increased as exchange fell?—No, the statement is the direct opposite of the truth. Another way of looking at the facts is to take the figures of the last ten years in two periods of five years each. These stand thus: in the period ending in 1891-92 the imports were 1,274 million yards, and in the period ending with 1896-97, 1,271 million yards.

1417. That is, practically, very little difference?—Very little difference.

1418. It has been suggested to us that if the mints were re-opened the increased cost to the State of fulfilling its sterling obligations could be met from increased taxation. Will you give us your views as to this suggestion, and tell us what are the present sources of revenue derived from taxation; what is the yield from each; is the revenue elastic; could the rates be increased; to what extent; and with what result?—There is a preliminary remark to make on that proposition. In the first place, the Government of India has ever since 1882, when the last remissions of taxation were made, that is, for the last sixteen years, been busily engaged in imposing additional taxation. In a well-ordered administration, the public would call for some revision of taxation where the incidence did not fall fairly, or was made to fall too heavily, or where the taxation seemed unnecessary. The Government of India has not, however, been able to do that, its financial condition having been seriously affected by the constant decline in exchange. The next general observation that I would make with regard to the proposal for the imposition of additional taxation is, that it is a singular thing to argue that trade is, or rather may perhaps in the future be, hampered in certain directions by the condition of the currency, and that it should be relieved, and then to propose, at the same time, that the restrictions should be re-imposed in the form of taxation all round, on the producer, on the consumer, on the importer, and on the exporter. As regards the elasticity of the revenue, I prepared, three or four years ago, for the Statistical Atlas of India, a diagram showing the way in which the proceeds of taxation have increased under the main heads: land revenue, salt, opium, excise, stamps, provincial rates, customs, assessed taxes (that is practically the income tax), and registration. If you look at that diagram you will see the lines run almost level; there has been little increase. There has been a certain amount of elasticity, as Sir David Barbour has had occasion to remark once or twice when he was in charge of the finances, but it *is* nothing as compared with what it is in England. (*For this diagram, see Appendix*). Now, to come to the particulars, the land revenue, as has been pointed out here before, can only be increased at distant periods. The returns from the land revenue have risen in 10 years, from 1888-89 to 1897-98, from Rx. 23,016,404 to Rx. 25,932,300; the rate of increase being 12·66 per cent., or an annual increase of 1·26 per cent. Assuming for a moment that it was possible to break through the settlements, and to largely increase the land revenue, it would mean the imposition of a tax on all production in India, for the purpose of relieving from a tax, whether real or imaginary, that small fraction of the production which is exported from India.

1419. Taking the revenue now at 26 crores, I suppose you think it is hardly possible that that 26 crores could be turned into 38 crores?—No. How would it be possible for anyone responsible for the administration of India to propose such an addition as that to the land revenue. To obtain even such a small sum as 2½ crores would mean an immediate addition of 10 per cent. to the whole present taxation of the land.

1420. Then, with regard to the opium duty?—The opium revenue comes a long way after the land revenue. The revenue has been declining for a great many years.

1421. In 1886 it was six crores and it is now four crores?—Yes. To impose an additional tax on an already declining revenue is, I think, a proposition that does not require much argument to condemn it. There is nothing to expect from the opium revenue.

1422. You give us no hope, then?—No; the imposition of heavier taxation upon opium would inevitably result in the more speedy extinction of a source of revenue which is doomed to eventual extinction already.

1423. Would a high rate of exchange affect the opium export?—I have little doubt that a high rate of exchange must have some effect in accelerating the inevitable doom of the opium revenue. The Chinese have been for many years cultivating opium for the purpose of replacing our opium. They have not yet made the quality that we give them, but they will probably produce it in course of time. When they do they will reject our opium.

1424. The first two items, land revenue and opium, are really not taxation in the ordinary sense. Now, we come to what is really taxation, namely, salt, stamps, excise, customs, and so on?—The salt revenue has increased from Rx. 7,675,634 (taking the same period that I took for the land revenue) to Rx. 8,625,000. That is an increase of 12·4 per cent., or an annual increase of 1·24 per cent., just about the same as the land revenue. The rate of duty was increased from two rupees to two rupees eight annas in 1888. The point I would like to bring before the Committee in regard to the salt revenue is that it has the disadvantage which attends all indirect taxation that what the Government receives from the man who

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consumes the salt is not the whole amount of what is charged to him, for the dealer who first pays the duty recovers his money and an addition to it from the consumer. The Government has the power of raising the tax by notification to any sum up to three rupees. It is now two rupees eight annas. If this were raised by eight annas, the Government would be deprived of a useful financial reserve which ought to be maintained against an emergency. Further, although it has been argued that the incidence of the tax on the individual consumer is small, it should be considered that, independent of the individual consumer for edible purposes, salt is a useful article in India for cattle, for manurial purposes, and for industrial purposes. So that although we could get a larger revenue, no doubt, by an increase in the salt tax to, say, three rupees, I think the increase would be unwise and injudicious, whether from the point of view of the people or from the point of view of the Government.

1425. If you increase the tax up to three rupees, what addition would that make?—An addition of 8 annas would bring in about 1½ crores.

1426. Then you would not get 12 crores out of that?—Nothing like it; and the first effect would be a restriction of consumption; the dealers would withhold purchases until they could work off all their stocks.

1427. In fact, if any Indian Finance Minister or any Secretary of State for India at home could see his way to a very large reduction of the salt tax, do not you think it would be a very great boon to the people of India?—It would be a very great boon if it could be reduced to a rate of one rupee.

1428. What have you to say with regard to stamps?—The revenue from stamps has increased from Rx. 3,922,088 to Rx. 4,806,200, an increase of about 22·4 per cent. or, say, 2·24 per cent. annually. The great bulk of this revenue comes from fees taken from litigants—from court fees as we call them. It is a tax upon litigation. Many complaints have been made of the heavy incidence of the tax. Some people say that a heavy tax prevents unnecessary litigation; but there are many poor people to whom the tax practically amounts to a denial of justice.

1429. (*Sir D. Barbour.*) Do the court fees about meet the total cost of the civil judicial establishments?—No, they do not.

1430. Pretty nearly?—They vary in the different Provinces. In Bengal they more than meet the cost; in other Provinces they do not.

1431. But there is not a great difference?—I do not think the difference is large. Then, besides the judicial stamps, there are non-judicial stamps—revenue stamps. Everyone is agreed, I think, that this form of stamp duty is perhaps too high already, and that there is really no opening for charging higher rates.

1432. (*Chairman.*) Then the excise?—The revenue from excise has increased from Rx. 4,652,616 to Rx. 5,507,300; that is an increase of 18·3 per cent. or, say, 1·83 per cent. annually. This excise revenue has been the subject of great controversy, both on this side and in India. The increase is not due, as many of the agitators have put it, to an increase of drunkenness in India. All that has been in their power has been done by the local governments and the Imperial Government to raise the rate of duty, from time to time, as high as it could be raised without stimulating the increase of the consumption of illicit liquor, which can be made very easily in many parts of India.

1433. Practically, the Government has always exercised control over the excise just as it does here?—Yes; the increase is mainly due to improved administration and the endeavour to raise the rates as high as they can be raised without encouraging illicit distillation.

1434. I believe it is the case, as regards excise revenue, that the Government has the power of raising the tax, and, in many instances, they do raise it?—Yes, as in the case of salt.

1435. But much more largely in the case of excise?—Much more largely.

1436. Then with regard to provincial rates?—Provincial rates are mainly, if not exclusively, levied on the land. They are at present appropriated for provincial and local purposes, for roads, light, police, and so on. If we were to increase them, we could not do so without assigning them to those purposes. They could not be appropriated to general purposes, as for instance, to paying the cost of currency arrangements.

1437. They are practically not a source of Imperial revenue?—No, they may be left out of account altogether.

1438. Now, with regard to customs?—There is now a general rate of duty of 5 per cent.; it used to be 10 per cent. until 1863, when, as it was found to prohibit trade, it was reduced to 7½ per cent. It was found that that rate also restricted trade, and it was reduced to 5 per cent. The duties were abolished entirely in 1882, only a few special articles remaining in the tariff. In 1894 they were re-imposed, but it was necessary to exempt cotton goods, because Manchester objected to a tax on those goods. After much controversy a lower rate (3½ per cent.) was imposed on cotton goods than the 5 per cent. which was the general rate.

1439. I suppose, in case of necessity, the import duties could be increased, and would bring in a considerable amount of revenue?—In 1895–96 the import duties amounted to 3·79 millions Rx.; in 1896–97 they were 3·5 millions Rx. There was a decline in 1896–97, because of the exemption of yarns, and the reduction of the rate on cotton goods, of which I spoke. Assuming that we could not increase the duty on cotton goods, and could not tax cotton yarn, we have an import duty of 3½ crores at 5 per cent. for most articles, at 1 per cent. for iron and steel, which latter rate, I suppose, could not be increased. Suppose you doubled the rate of duty, and put on a tax of 10 per cent., it would not follow that the revenue would be doubled. The increased duty would operate as an effective protective duty, for in a great many cases the articles imported are articles which can be made and would, with protection, be made in India.

1440. (*Sir J. Muir.*) Cannot iron and steel be made in India?—Steel has not been tried yet; iron is made. There are people who say that the climate is against the operations connected with the making of steel, such as puddling, and so on. However that may be, it is certain that no attempt has been made as yet to make wrought iron; the owners of the iron-works confine themselves to cast iron.

1441. (*Chairman.*) Do you think the additional revenue would come to three crores, if the rate were doubled?—No. You would have to leave out of consideration the specific liquor duties, that is about half a crore to be taken off; you cannot increase those without raising the excise duties; otherwise it would be a case of protection, and you would lose revenue instead of gaining it. Then there are also the duties on arms to be excluded. I do not think you would get more than two crores as the result of doubling the duty, if you would get so much, for I think in a short time the imposition of a 10 per cent. duty would be sufficient to encourage the manufacture in India of the articles so taxed.

1442. (*Sir J. Muir.*) Which is most desirable?—It is most desirable, if it can be done without the community generally paying a bonus to those who produce the articles.

1443. (*Sir D. Barbour.*) If, simultaneously with the increased taxation the mints were opened to silver, and the exchange went to 1*s.*, there would be a rise in the rupee value of the imports which would give you some additional revenue?—Yes, possibly, though imports have not hitherto risen in price with a declining exchange.

1444. (*Sir A. Dent.*) Would there be any difficulty in collecting a great part of these customs in gold?—

There would not be a difficulty, I think, if the payment of gold were limited to sums above a certain limit, say, to sums of 50 rupees and upwards; but if it were attempted to levy the duties in gold on sums paid in small amounts—and there is an enormous number of customs entries in which the duty varies from 8 annas to 10 rupees—that would be very difficult and very oppressive in operation. Further, there is also a considerable sum paid upon parcels imported by post which are delivered throughout the country in places where gold could not be obtained, and the addressees in such cases could not be asked to pay in gold or in anything but the coin current in the place.

1445. They might be asked to pay it in the coin current at the place, but at a rate which would enable you to buy the gold?—That would be an augmentation of the duty.

1446. But if exchange is 1*s.* 3*d.*, and you say duties must be paid at the rate of 1*s.* 4*d.*, there would be no very excessive augmentation of the duty?—It would be between 6 and 7 per cent.

1447. (*Sir D. Barbour.*) What do you wish to state regarding the income tax?—The income tax has increased from Rx. 1,493,350 to Rx. 1,889,000; that is an increase of about 26·5 per cent., or, say, 2·65 per cent. annually. The income tax was begun in 1886, and was at first assessed in a rough and ready way. With a gradual improvement in the administration of the tax we have been able to bring more people into the meshes of the net. But there is a preliminary objection to the increase of the income tax. The minimum limit now is an income of 500 rupees a year, which is equivalent to about 32*l.* a year. Even in India, a country of small incomes, that income is an extremely low one for taxation under the income tax, and there have been frequent complaints about it. If ever we could raise the rate, we ought first to raise the limit of exemption. If we raise the limit of exemption, say, to 1,000 rupees a year, we should have to dispense with something like 35 lakhs out of the present total, that is to say, we should have to dispense with something like one-fifth.

1448. (*Sir J. Muir.*) Why not continue the tax at that minimum, and make the advanced rate begin upon higher incomes?—You could do that.

1449. (*Sir D. Barbour.*) What is the present rate?—Three pie and four pie in the rupee. It comes to about 2 per cent. and 2½ per cent.; equal to about 6*d.* in the £.

1450. The income tax does not fall on incomes derived from the land?—It does not apply to agricultural incomes, because we take it that agricultural incomes are already taxed.

1451. An income tax of roughly 6*d.* in the £, taking the minimum income at about 32*l.*, produces about 1,200,000*l.* from the large population of India?—Yes. The number of assessees, as compared with the population, is very small.

1452. If it were applied to the land, would it bring in very much more?—It would be largely increased then.

1453. Have you looked at all into the figures of the former income tax to see how much came from the land?—No, I have not.

1454. Do you bear in mind that most of the people who cultivate land have got incomes that would bring them below the minimum?—That is perfectly true; it is a point I had not considered. No doubt the aggregate of the land revenue is built up of very small items, and in assessing for income tax you would have to omit a great deal.

1455. My recollection is that an income tax on incomes from land would bring in much less than you think. Then what do you say as to registration?—Registration may properly be considered more as in the nature of a fee for services rendered than in the nature of a tax; pretty nearly every instrument that is registered, whether compulsorily or voluntarily, has to pay the stamp duty, and if you wanted to increase this particular tax, it would practically mean taxing each instrument twice over. The registration fees now amount to only Rx. 250,000., and I doubt whether you could get any material increase.

1456. Does that exhaust what you have to say about the existing sources of taxation?—Yes.

1457. It has been suggested that there should be an export duty levied on jute, accompanied by an excise duty on manufactured jute. What do you think of that proposal?—The value of exported jute comes to about Rx. 10,000,000, and if we wanted to get a revenue of Rx. 1,000,000, we should have to impose an export duty of 10 per cent. Of course, that must be accompanied by an excise duty on manufactured goods, otherwise the tax would operate simply and entirely as a protective duty in favour of the jute mills of Calcutta against the jute mills of Dundee, and, I take it, it would be impossible to levy such a duty, even if it were otherwise unobjectionable.

1458. (*Sir J. Muir.*) Why?—Well, I object to excise duties generally; economically, they are indefensible, and although in the case of jute it may be said that it is less indefensible than in the case of other articles, because jute may be regarded as a monopoly, I confess I have little faith in the existence of monopolies if you weight them with taxation which brings the cost of the article up to such a point that it would stimulate the substitution of another article. I should be sorry to see the place of jute taken by other fibres or by hemp, or anything else from other countries. That is a danger which, I think, nobody in India would be inclined to face.

1459. Our firm happen to be very much interested in jute, we have two mills in Calcutta. I must say I see no objection whatever to an excise duty on our mills in Calcutta and an export on the jute sent out to India. We all know that jute is practically only grown in India, and I think it can stand a 10 per cent. duty easily?—We have been told that it is capable of being produced in Siam to any extent, and that they are about to try it. However, let us assume that an excise duty is levied on the manufactured article. I suppose that when the manufactured article is exported a drawback would be given on that excise duty. I think that very nearly, if not practically the whole, of the gunny bags and gunny cloths that we make in India are sent out of the country, either as packing for exported grain, seeds, cotton, or other goods, or empty to be used for packing in other countries. Would there not have to be a drawback on these? If so, then the excise duty is only illusory, and the export duty on raw jute is an effective protection of the Calcutta jute mills as against Dundee. I have no doubt the Dundee gentlemen will appreciate the position, and tell us that the thing is inadmissible.

1460. (*Sir D. Barbour.*) What do you say about the levy of an export duty on shellac?—Shellac is a quite unimportant article. The value of the exports recently amounts to about one crore of rupees; but it is a very speculative article, the price of which varies greatly, and the value on the average does not exceed Rx. 700,000 or Rx. 800,000. A duty upon that of any amount that could be thought reasonable would certainly yield nothing of any consequence. If it was levied at a substantial rate, I think the result would be that you would obtain no revenue but would lose the manufacturing industry in India. The manufacture of lac is a very simple matter, and instead of making the stick lac, as it is called, into shellac in India, the stick lac would be exported to some other place where it would be converted into shellac, and then exported to the places to which we now export it. That is to say, we should get no revenue at all and should lose a small manufacturing industry which we now possess.

1461. Do you know of any new sources of taxation that could be tapped?—As you know yourself, Sir, the

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Government of India have very carefully considered that question for the last 25 years. At various times the possibility of raising revenue from succession duties, a tobacco tax, a sugar tax, and other imposts has been considered, but all such proposals have been rejected as impracticable. The incidence of such taxes would be unequal and oppressive, and the levy most difficult. I do not know of any new taxes that could be imposed without causing trouble and discontent greatly out of proportion to the revenue obtained.

1462. A good deal has been said of the competition between India and silver-using countries. Will you state what are the articles in which competition exists, and what are the countries with which that competition is carried on?—The silver-using countries are Mexico, China, the Straits, Persia, and Arabia. I do not include Brazil and the Argentine Republic in the category of silver-using countries, because they have neither gold nor silver, they are on forced paper. If we exclude them the competition practically reduces itself to the competition of China with our Indian tea. If you include them, then we have the competition of Brazil and the Argentine Republic also with our wheat and our coffee.

1463. So that the competition with silver-using countries resolves itself into competition with China in regard to tea?—Yes.

1464. (*Sir A. Dent.*) What about cocoanuts, copra, and those things?—I do not think that they are of the slightest importance.

1465. The trade is of importance to Ceylon, is it not?—It is of importance to Ceylon, but not to the Indian export trade. In Ceylon there are but two or three staple exports, tea, and the products of the cocoanut, copra and oil. The extent of the cocoanut industry in India is extremely small; so small that we, in fact, import some. I am considering this question from the point of view of the competition of other silver-using countries with India, not with Ceylon.

1466. (*Sir D. Barbour.*) You think competition is practically limited to tea only?—As far as India is concerned; but I should mention, with regard to Persia, that there is a competition in opium, which has been going on for a great many years. It is the competition of Persian opium with Malwa opium in China.

1467. It has been said that under a gold standard the prices of Indian products must fall. What do you say to that?—It is partly a question of argument and partly a question of fact. All I wish to say about it is this: the prices of Indian produce may fall under a gold standard, but they have fallen under the silver standard. On the assumption which underlies the opposition to the closure of the mints, the fall in prices would probably be extremely accentuated if the silver standard were maintained, because it is argued that a silver standard tends to stimulate production. If it does so, there must be a fall in prices; so that, whichever way you take it, whether we have the gold standard or the silver standard, there is practically no difference between the two in regard to the course of gold prices for the products which we export to gold countries.

1468. What is the relative importance of the chief articles of the Indian export trade?—The first on the list is grain and pulse, rice being the most important, and wheat coming some way after. Rice would represent a value of from 12 to 13 crores, while wheat would represent a value—before the famine began—of from five to six crores, say, about half the value of the rice. Following on grain and pulse, the next is raw cotton. Next comes raw jute. Then cotton yarn and cloth. Following that are opium and seeds—seeds being of more importance than opium, ordinarily. Then hides and skins; then tea. Tea comes a rather long way down, about 8th or 9th on the list. Tea represents a value of about eight crores of rupees; grain and pulse a value of between 17 and 18 crores; cotton is about 14 crores; jute about 10 or 10½ crores; cotton yarn and cloth about 8½ crores; opium about eight crores; seeds between 9 and 12 crores; but more than that, in fact, 14 crores in ordinary periods; hides and skins, about seven crores.

1469. So that the tea export trade is of great importance, but not in the first rank?—The tea trade is of importance, distinctly, and I should be sorry to seem to attempt to minimise its importance.

1470. Is the coffee trade of any importance?—Not of any particular importance; it has ranged from two crores down to 1½ crores.

1471. And cinchona?—Cinchona is quite insignificant; indeed it is not really an article of export at all now.

1472. Then pepper?—Pepper stands very low down in the list—lowest of all, I think; it represents about 30 lakhs.

1473. What have been the relative imports of gold and silver in the last 10 years?—There have been just under 3,000,000 ounces of gold imported net in the last 10 years.

1474. That is the aggregate?—Yes, just under 3,000,000 ounces, representing, you may say, something under 12,000,000*l.* sterling in the ten years. Then silver, 379,000,000 ounces, in the same period. In quantity the proportion of silver to gold is about 126 to 1. The value of the gold is 18 crores, and of silver 97 crores, so that the people have paid about five or six times as much for silver as they have for gold.

1475. These are the net imports?—The net imports. The people have had just the same opportunities for importing gold and using it during the last 10 or 20 years as they have had for importing silver, or as they would have if gold were made legal tender. If they have not been taking more gold than they have done there seems to be no reason whatever, considering the conditions of gold as merchandise, why the making of gold legal tender should make them take more than they have been doing.

1476. Assuming that the existing currency regulations in India continued unaltered for any considerable period, what effect would be likely to be produced on the monetary circulation, rates of discount, and prices?—The existing currency regulations are really no regulations at all. The mints have been closed to silver and not opened to gold. We are in a period of transition from one standard to the other, and during this period no addition has been made to the currency. It is doubtful whether there has been any real contraction of the currency yet, but if the present arrangements continue unaltered for any considerable period, there must certainly be a contraction of the currency; and assuming that there is no corresponding contraction in trade, then the rates of discount will rise, and prices must fall; with a result that must be disastrous to trade. The inference is that the sooner we pass from our present state of transition the better it will be for trade as well as for the Government.

1477. But those results would not follow if gold were being brought to the mint to be exchanged for rupees under the existing regulations?—No, I am assuming that in the period of transition gold would not be brought to the mint.

1478. Under those circumstances you think the result would be likely to be disadvantageous to trade?—Yes.

1479. Can you tell us how the financial position of India has stood since 1875, and whether, on the whole, her revenue has exceeded her expenditure?—I have prepared a statement of the surpluses and deficits of those years, which I put in. It is as follows:—

Year.	Surplus.	Deficit.
	Rx.	Rx.
1873-74	—	1,807,668
1874-75	319,197	—
1875-76	1,589,255	—
1876-77	—	2,584,176
1877-78	—	4,262,040
1878-79	2,134,098	—
1879-80	—	1,327,893
1880-81	—	3,631,394
1881-82	3,595,451	—
1882-83	674,837	—
1883-84	1,879,477	—
1884-85	—	386,446
1885-86	—	2,301,726
1886-87	178,427	—
1887-88	—	2,028,832
1888-89	37,018	—
1889-90	2,612,033	—
1890-91	3,688,171	—
1891-92	467,535	—
1892-93	—	833,412
1893-94	—	1,545,998
1894-95	693,110	—
1895-96	1,533,998	—
1896-97	—	1,703,022
1897-98	—	5,283,100
1898-99	891,400	—

These figures show that in the 20 years ending with 1892-93, that is ending in March 1893, just before the closure of the mints, there was an aggregate surplus of Rx. 17,175,499, and an aggregate deficit of Rx. 19,573,587, the net deficit in that period amounting to Rx. 2,398,088. That was the result of 20 years' finance, during a time when India is supposed to have been extremely prosperous under a continually declining rupee. Until 1885 the financial condition was fairly good, the main disturbance resulting from war and famine, the decline in exchange, though a source of anxiety, not having been so heavy as to be the material factor which it became in 1884. So favourable, indeed, were the conditions after the country had recovered from the great famine of 1877-79 and the war with Afghanistan which accompanied and succeeded it, that the Government were able to effect reductions and remissions of taxation in 1882. But the taxation remitted then has all been re-imposed since, and new taxation added. In 1885 exchange fell heavily, and the fall was accompanied by the fear of a conflict with Russia and followed by the annexation of Upper Burma. As a consequence, although new taxation was imposed in 1886 (the income tax), the expenditure largely exceeded the revenue, and further resort to taxation in 1888 became necessary. Equilibrium was then restored, but so great was the uncertainty of the financial condition that the Finance Minister of the time did not venture to apply the surplus which occurred in the years from 1888 to 1891 to re-adjust fiscal burthens, and it was applied to purposes which would ordinarily have been served by borrowed capital. Deficits followed which again, in 1894, necessitated the resort to further taxation, and surpluses were thus ensured for two years. Then followed two years of famine, accompanied by war and pestilence, with the accompaniment of deficits. But a surplus is estimated for in 1898-99, the present year. In the whole period of 26 years the net deficit amounts to Rx. 5,414,612.

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1480. You have taken the deficits from the published accounts. I suppose?—Yes.

1481. You have not attempted any adjustment based on the consideration that the accounts might have been framed in a different way?—No, I have taken them as they stand on the face of the accounts.

1482. During those 26 years has the Government of India, year by year, remitted to this country the full amount necessary to meet its ordinary liabilities, or has it met those liabilities, to a certain extent, by borrowing in London?—It has had to do so.

1483. In so far as it has done so, would you admit that that borrowing has affected the rate of exchange?—Yes.

1484. To a greater or less extent?—Yes.

1485. If, then, it had remitted the full amount to England every year, the rate of exchange would have been lower, and the deficits would have been larger, and the surpluses would have been less than those actually shown in the accounts?—I think that is likely,

The Witness withdrew.

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1486. (*Sir F. Mowatt.*) We have had some rather conflicting evidence as to whether wages, speaking generally, in India have risen during the last 10 or 15 years. The Government of India, I suppose, is an extensive employer of labour of one sort and another?—A very large employer.

1487. And this labour is, I suppose, of different classes; that is from mere unskilled labour up to higher and more skilled labour?—Yes.

1488. Before I ask you my main question, I presume the rates which the Government pay are as nearly as possible based upon the rates which it finds paid in the open market. I am aware that Governments are usually bound to pay their servants at a little higher rate than other people?—The market rate only applies, I think, to unskilled labour—coolies, and to artizan labour as on the State railways; but in clerical and higher employment, I do not know that the market rate comes in at all.

1489. Could you give us an opinion as to whether wages have progressed or have been stationary in the last 10 or 15 years?—The record of wages is for very varying periods. In some cases we have the figures from 1873, but in other cases from a very much more recent period. For agricultural and some other classes of labour we have records since 1873. For the postal department we have figures since 1855, and for some other departments from 1866 and 1870. For industrial establishments, other than those of the State, I have records which begin, most of them, at a much later period. Taking them all round, I should say wages have increased in rather less proportion than prices.

1490. I will ask you similar questions presently about prices, but, perhaps, it will be convenient if you give us an idea of the percentage of the rise of wages for any period which you like to fix as applicable to all your tables; shall we say 1880?—I will put in a comparative table.

1491. Has the increase which you have indicated taken place in any particular class of labour, or should you say it was general?—The largest and most rapid increase has been, as might be expected, in skilled labour—labour used in the large industrial establishments that have been created in recent years—railways, cotton mills, jute and other mills and factories; but unskilled labour also has increased.

1492. That being so, I will just ask you this: Taking the classes whose wages your last answer has touched, and considering the prices paid by those classes for the ordinary necessities of life, what change should you say has taken place with regard to them?—There has been a greater increase in prices than in wages. You will see at a glance how the level of prices has risen from certain diagrams I prepared a few years ago for the Statistical Atlas of India.

1493. What was it, in your opinion, in 1885, which started the rise—what special circumstances do you think occurred then?—That is a difficult question to answer. Some say that the depreciation of silver was the cause. I would not venture to say that. I can only say that coincident with the rise in prices there

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was a depreciation of silver and the rupee. Whether the two things stood in the relation of cause and effect I am not prepared to say.

1494. The prices in this diagram relate to food grains?—Yes, the diagram shows the retail prices through the country of all the staple food grains.

1495. Does the same thing, or anything like it, apply to clothing?—No, not to anything like that degree. In fact, you may say that the people buy their clothing at a lower price; the fall in gold prices has been such that there has been no increase, but rather a fall, in the price of their clothing. The staple cotton manufacture imported is what is called grey shirtings. Grey shirtings were, in March 1873, quoted at a price equivalent, say, to 100. In July 1897 the price was 69. You may say that the rupee price of grey shirtings in India has fallen from 25 to 30 per cent.

1496. I assume that the proportion of their wages which is spent in food is very considerably more than the proportion that is spent in clothes?—Very much more, indeed.

1497. May we take it that their food and clothes will represent the main expenditure of the labourer in India?—Yes.

1498. There is no other particular heading of expenditure which occurs to you which would illustrate the change in their position?—No. Of course there are other articles on which the labourer spends money, such as salt, firewood, pots and pans; but they are all of small importance as compared with food and clothing.

1499. There is nothing in the range of prices of those articles which would materially affect the position of the labourer?—No.

1500. Do you think, taken as a whole, the railway earnings pay the interest on the capital expended on them?—They do *not*, but that is largely due to the high rate of exchange at which the guaranteed interest is paid in one or two cases.

1501. (*Sir J. Muir.*) Of course you are aware that there is a great deal of diversity of opinion in India regarding the policy of the Government of India in closing the mints in 1893. Now we have glanced at the question as to how income might be raised, and among other things it has been suggested that there should be an export duty of, say, 10 per cent., or whatever might be agreed upon, placed upon jute, and at the same time an excise duty upon the jute mills producing the jute goods, so that Dundee might not be able to complain. Do you see any objection to that?—I think it is a most objectionable proceeding. The excise duty would certainly, I think, judging from the the experience gained in connection with the excise duty now levied on cotton goods, be regarded by mill owners as most objectionable.

1502. Suppose you turned out to be wrong, and that the mill owners were quite agreeable. For instance, I am a mill owner owning two mills in Calcutta, and I am agreeable. Suppose it turned out that the majority of the millowners held with me that there was no objection to it?—Do you propose to levy an excise duty on the manufactured article?

1503. Yes?—If you levy an excise duty on the manufactured article then Dundee would be favoured as against Bengal, because in the one case the duty would apply not only to the raw material but also to the labour expended in its manufacture; whereas Dundee would only be taxed on the raw material.

1504. That could be adjusted?—I do not see how the adjustment could be made.

1505. I think that could easily be done if one wished to find an equitable solution. Now you spoke, the last time you gave evidence, about a drawback being given?—I should think there must be a drawback on exported jute manufactures, or else we should be weighting our goods with a tax in all foreign countries.

1506. You mean a drawback against goods shipped to what place?—All over the world; our goods are shipped universally—to America, Australia, Europe, Asia—to all countries.

1507. If you did that would it not be acting unjustly to Dundee?—Yes; that is where one of the objections comes in.

1508. Why should you have a drawback at all; why should you give the Calcutta mills a drawback?—It would be possible to make what you call an equitable adjustment, but the only way would be to tax the raw material, whether it was exported or sent to the mills. If each bale of raw jute is taxed, whether exported or brought into a mill for manufacture, that would be an equitable arrangement; but the principle of taxing raw material which is used for manufacture, is economically most objectionable.

1509. Is not an excise duty levied in the case of the cotton mills in Bombay?—Yes, and it raised a most acrimonious discussion. It is also regarded as protective of the handloom industry, which is still largely carried on in India, and this industry is regarded as now protected to the extent of 3½ per cent. against the mills.

1510. (*Chairman.*) Seven million people depend for their existence on the handloom industry?—Yes, it is an extensive industry.

1511. (*Sir J. Muir.*) Is it an advantage to them or a disadvantage?—To the handloom weaver, of course, it is an advantage. He has protection as against the mills.

1512. Then the thing is possible; it can be done?—Everything is possible, if you choose to run risks.

1513. A 10 per cent. duty on jute and an excise duty on the production of the jute mills is quite possible?—No doubt, but then comes in another question. There is a jute mill in Chandernagore, near Calcutta. It was said to have been started for the express purpose of avoiding British taxation, but this the owners deny. The Government was asked to impose a duty on the manufactures of this mill when they left Chandernagore and entered British territory, because there is an import duty on jute goods entering India from foreign countries.

1514. And what have you done?—Nothing.

1515. Why?—Because we did not think it worth while to do anything.

1516. Why not?—For the reason that the goods enter British territory only to leave it.

1517. Not the whole of them?—The greater part.

1518. Over a small portion?—We should have had to establish a customs line outside Chandernagore to intercept the goods, with the result that we might collect 100 rupees, and have to refund, perhaps, 85 rupees out of the 100 in a day or two.

1519. I suppose you are aware that that has not been a very successful mill?—I do not know about that, but I should think an export duty on raw jute and an excise duty on mills in British territory might be sufficient inducement to make others commence work in the same place.

1520. It is a great many years now since that mill started, and there has been no copying of it?—Not yet; the advantages are, perhaps, not sufficiently great, but conditions might be different if there were an excise duty.

1521. Then, in your examination, I did not quite understand what you said to the Chairman, but I think you said that 2 rupees 8 annas was the rate at present for the salt tax?—In most parts of India.

1522. And that could be raised to 3 rupees?—It could be raised to that extent by a notification of the Government.

1523. Now, what salt is imported into India; what are the sources of supply?—There are three main sources of supply: (1) salt is imported, principally from Cheshire—from Liverpool, also from Germany, and from other places; (2) it is made on great part of the Indian coast from sea water; and (3) it is obtained from Sambhar lake and from other salt sources in Rajputana, and from certain mines in the Punjab, whence rock salt is quarried.

1524. We have been told in the course of the evidence that the salt tax, per head of the natives,

only amounts to about 4*d.* per annum?—It may be about that.

1525. (*Sir D. Barbour.*) That is the tax?—That is the tax levied.

1526. (*Sir J. Muir.*) How is the tax levied?—Imported salt pays the tax at once before it is passed into consumption; the salt produced in India also pays the tax before it is allowed to leave the place of production.

1527. Who own the sources of supply of salt?—Some of the salt-works in Bombay and Madras and all the works in Burma belong to private owners; others belong to the Government. The salt mines in the Punjab and the salt sources in Rajputana and some other places belong to and are worked by the Government.

1528. Supposing we were to increase the tax from 2 rupees 8 annas to 3 rupees, that would raise the rate from 4*d.* per head to 5½*d.* per head, or something like that. Does that, after all, seem such a heavy tax?—The tax is levied on a necessary of life, and is open to objection, which is frequently taken against it. Quite recently, for instance, we were told by the Afridis that the raising of the duty on Kohat salt was one of the grievances which led to the frontier disturbances.

1529. Now, one or two questions with regard to the income tax. It seems to me, from what I know of the income tax in India, that in regard to a great many incomes the incidence of the tax is altogether inadequate. I think you stated that the limit was 500 rupees a year, equal to about 32*l.* at the present rate of exchange?—Yes.

1530. What is the rate charged?—It is 4 pie and 5 pie, according to the amount of income.

1531. Four pie on what income?—Up to 2,000 rupees a year it is four pie, and above that five pie.

1532. Is it not possible to fix a higher percentage upon larger incomes?—It would be possible; everything is possible, as I said before; but in regard to the income tax especially, I think it will be well to remind you that the tax has caused grave dissatisfaction in India amongst Europeans as well as natives, very specially amongst the mercantile classes; and still more strongly amongst the tea planters of Assam. The higher rate is also equal to 2·6 per cent., which is more than equivalent to the rate of 6*d.* in the pound, and that is not a low rate.

1533. You seem to say that a tax that causes dissatisfaction should be carefully considered?—I think the principle applies to every country that a Government should hesitate to increase the incidence of a tax which arouses such ill feeling as the income tax in India has done since it was first imposed in 1886.

1534. But you are aware that this fixed rate of 1*s.* 4*d.* has caused grave dissatisfaction and indignation among a large number of people both in India and in England, Scotland, and Ireland—I refer to the tea-planters?—That may be so, but if the tea planters were polled as to whether they would vote for an increase of the income tax in view to the reopening of the mints, I should not be confident of the result. What we have to do, I should think, in discussing a question of taxation is to consider the whole and not merely a section of the population, and if we find a tax to be the subject of such dissatisfaction as the income tax has been amongst all the classes to which it applies—as everybody officially charged with the administration of India will tell you it has been—we should pause and consider before we attempt to increase it. Not that the principle of the tax is unsound; indeed, in principle, an income tax is absolutely sound.

1535. Then you think that in order to get attention paid to their complaints a considerable storm ought to be raised?—I do not mean that. I mean that if a storm is raised it shows that people have a grievance, or think they have, which is not very different in practice.

1536. Could not the income tax be materially increased in India?—It could be increased, but——

1537. Do you mean that it is not practicable?—It is practicable; everything is practicable, if you choose to run risks, but I think it would be most injudicious and impolitic to increase the tax.

1538. (*Sir D. Barbour.*) You gave figures of the amount of cultivated land in India, and of the amount of cultivable waste and fallow land. Where did you take those figures from?—The agricultural statistics of India.

1539. They are sent up from each province?—Yes.

1540. The amount of cultivable waste in round figures is 100 million acres?—About that—nearer 100 millions than 90 millions.

1541. In what provinces chiefly?—The largest area of culturable waste land, stated in millions of acres, is to be found in:—Burma, 34·7; Punjab, 22·8; Central Provinces, 11·6; North-West Provinces and Oudh, 11·3; Assam, 7·4. Most of the remainder is in Bengal.

1542. Are you prepared to say that all that land entered as cultivable waste could be cultivated at a profit?—I think it might.

1543. The 100 million acres?—Probably not at once.

1544. There are a great many districts or provinces in India where there is very little waste land that could be cultivated?—Very little.

1545. You see very little in the Ganges Valley?—Very little there, it has been cultivated from time immemorial almost.

1546. And in many places the land is cultivated to such an extent that there is great difficulty in finding pasture for the cattle?—That is so. The Government have, in fact, had to take special measures to reserve pasture land.

1547. It is a serious evil in some places?—It is.

1548. Now you gave figures showing the internal trade, and showing how it had increased down to 1897. That was the inter-provincial trade?—Yes.

1549. Those returns were obtained on certain railways and rivers?—Yes.

1550. Not from any other places?—No.

1551. You did not record the trade across the provincial frontiers by road?—No, that is not registered.

1552. If new railways were made connecting two provinces there would be an increase shown in the returns which would not be altogether real?—That is so, and that is what I tried to bring out when I was giving evidence before.

1553. The famine would also in some cases tend to increase the inter-provincial trade?—That is so, but in the present case the increase in the figures is largely in other articles than food-grains.

1554. I do not know how you dealt with imports of rice during the famine from Burma to the North-West Provinces and to Bengal?—They are not included in the figures. The grain came from the ports, and I excluded all trade with ports.

1555. Although it was in a sense inter-provincial trade?—Yes.

1556. On the whole you have no doubt that the internal trade has increased?—No doubt at all.

1557. Making allowance for all the considerations that I have mentioned?—Yes.

1558. You said that the opium revenue was doomed to extinction; is not that putting it rather too strongly?—I did not assign any limit of time, but I do not believe that it can last permanently. As the capacity of China for producing opium increases, and the drug is produced of a quality approximating to the Indian quality, and at a lower price, there is little doubt that Indian opium will be superseded.

1559. The latest price of opium in Calcutta was about 950 rupees a chest?—Thereabouts.

1560. I do not know whether you recollect that it costs the Government under 500 rupees a chest to produce, or it used to cost under 500 rupees?—Mr. Finlay will be able to tell you more about that.

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1561. I know of my own knowledge that the cost used to be under 500 rupees. If that is right there is at present a profit on the opium sales in Calcutta of nearly 100 per cent.?—Yes.

1562. There is a margin there which ought to enable the Indian opium for some time to resist extinction?—It will resist extinction, I should think, for some considerable period, but the revenue is not likely to expand.

1563. In taking 950 rupees as the price of opium in Calcutta I have taken a very low price compared with what it has been in some years?—Yes.

1564. You gave us figures showing the increase of the land revenue in India for a number of years. Has not that increase been due, to a certain extent, to the annexation of new territory, Upper Burma chiefly?—I doubt whether we are getting much out of Upper Burma. In Lower Burma there has been a large increase from re-assessment.

1565. Has not there been a considerable increase in Upper Burma?—The total land revenue of Upper Burma is about Rx. 627,000.

1566. The land revenue has not been growing really at the rate it appears to have done in your figures?—No, not so fast.

1567. Then, as regards the growth of the income tax, I think a portion of the increase will have been due to the extension of the tax to Burma?—The returns from Burma are very small; the tax has not been extended as yet to the whole of Burma.

1568. You said something about high rates of discount being due to the contraction of the currency. Do you think that a contraction of the currency necessarily implies a rise in the rates of discount?—I think if a currency were so contracted that the necessities of circulation reduced the amount available in the banks for loanable capital, the rate of discount must rise; if the contraction is carried far enough a rise in the rate of discount is inevitable, unless trade adjusts itself to the contraction of the currency.

1569. In what way?—By the reduction of trade.

1570. Might it not adjust itself by a fall in prices?—It might.

1571. If a contraction of the currency took place equally all over the country affecting both the bank balances and the circulation, and prices simultaneously fell in proportion, would there be any rise in the rate of discount?—I think not, then.

1572. It all depends whether or not the fall of prices takes place simultaneously?—Yes.

1573. Then, you gave the rate of increase of the Indian population. What is that rate of increase founded upon?—The census returns. They are imperfect for former years, but as far as they go the rate of increase may be taken about one per cent. per year.

1574. If the returns were being prepared with increasing accuracy at each new census, that would show on the figures an increase which is larger than the real increase?—Yes, and there is no doubt that is the case. The last census in some of the native states shows most remarkable increases of population, and these are certainly apparent, not real. They only mean that the former censuses were very imperfect.

1575. Still, I understand that making allowance for that, there is no doubt that the population of India under ordinary circumstances increases with considerable rapidity?—I would not call the speed considerable, because the rate of increase is much smaller than in some European countries; but for Asiatic countries the increase is considerable.

1576. (*Sir C. Crosthwaite.*) It has been suggested to us that the Government of India might get money by raising the rates of fares on the railways. Do you think much could be raised in that way?—I do not think that anything could be raised in that way. We have found by experience that any raising of rates has been accompanied at once by a reduction in the number of passengers or the quantity of goods. At present the management of the railways in India is based on commercial principles. Each railway administration divides goods into classes; some are charged at high rates because they are articles which may be so charged without risk of loss of traffic, or which give no prospect of development, or which are troublesome to carry. Other articles are charged at the lowest rates which give a profit, in order to stimulate and develope a traffic of benefit to the country, and especially to the railway.

1577. We have always had to guarantee the capital of companies which have raised money for railways in India?—Yes.

1578. Almost always?—I think I know of only one case where a guarantee was not given, and in that case it had to be given afterwards.

1579. (*Sir J. Muir.*) I know of one case. I do not think it is the one you are thinking of. I mean the Bengal-Dooars. There was no guarantee there?—That is a very small line.

(*Sir D. Barbour.*) But it received very important concessions.

1580. (*Sir C. Crosthwaite*) Taking the company that was formed in 1889—the Bengal-Nagpur—what was the rate of interest we guaranteed?—I do not remember.

1581. You may take it from me that it was 4 per cent. Since the closure of the mints we have formed one or two companies; the Burma Railways Company, for instance, was formed in 1896. Can you tell me the rate of interest guaranteed to that company?—3 or 3½ per cent., I think.

1582. It was 2½, with one-fifth of the surplus profits. That was formed after the closing of the mints?—Yes.

1583. So that the closing of the mints has not injuriously affected our power to raise capital for railways?—No, on the contrary. Applications for concessions are very numerous.

1584. (*Sir A. Dent.*) One example of the contraction of currency that was given to us was at Moulmein, where it was said that a firm, whose name is not given, could not get 21,000 rupees to pay duty on a cargo of rice. Is there any explanation of that?—It seemed to me that that illustration must have been mentioned more as a joke than anything else. It seems incomprehensible that any respectable firm could have arranged to purchase rice at a cost which was, probably, twenty times the amount of the duty, without having made arrangements to enable it to pay this small amount of duty. It may have been that there was some oversight, and that arrangements were not made to get the money from Rangoon. All the rupees required in Burma for the rice trade are imported from Calcutta, and every firm in Burma has to arrange beforehand to secure the amount of rupees they think they will require for their purchases, for the mill labour, and for export duty. In this particular case there must have been some neglect in not arranging to get the rupees from a Bank at Rangoon or Calcutta. There can be no question of scarcity of currency in this business; it is absurd to think of 21,000 rupees as being an illustration of the contraction of the currency in India.

1585. You treat it as a joke?—It seems to me that it must have been put forward more as a joke than anything else.

1586. (*Mr. Campbell.*) You said in reply to the Chairman that the advantage of a falling exchange goes to the merchant rather than to the cultivator?—That seems to me to be the case.

1587. Because the advantage is only temporary, and only lasts during the course of the transaction between the two countries?—Yes.

1588. Do you mean that a fall of exchange is so immediately followed by a corresponding fall in the sterling price of the exported produce that the rupee price is immediately affected, and at once falls back to its former level?—A fall of exchange has always, I think, been accompanied by an immediate adjustment of the gold price.

1589. Then, I suppose, the converse would happen in the case of a rising exchange?—I suppose it might. Of course it must be remembered that gold prices are affected by other conditions.

1590. That is exactly the point?—If a man is engaged in a particular transaction and exchange falls during the course of that transaction and he is doing business with a man here, if he gets the benefit of that fall of exchange, the man he is doing business with will not allow him to do the same thing on the next transaction.

1591. That would be the case where India is competing with other countries?—In the adjustment of prices there are numerous factors to take into consideration.

1592. Suppose India is competing with America in wheat in the English market, will the fall of exchange be followed by a rise in the sterling value of the produce notwithstanding the competition of these two countries?—No.

1593. You admit that exchange is not the only factor in adjusting sterling prices?—It is by no means the only, or the most important, factor.

1594. Would you say that the effect of a rise or fall in exchange would be shown in both the rupee and gold price of produce, that is, would be divided between the two?—Yes.

1595. You would modify your opinion to that extent?—That is the more explicit and accurate way of stating it.

1596. We saw some of these gold bars that go out to India to such a large extent—these 10 ounce bars?—I have seen a great many of them in Bombay.

1597. What is done with them?—I think they are melted into ornaments, with the exception of a proportion—whether small or large it is impossible to say (though I think it is small) which are used by some native chiefs or very wealthy men to put into hoards.

1598. But as far as you know, they are not used for currency purposes?—No, absolutely not.

1599. You gave us some very valuable tables, among others a table of the revenue and the expenditure of India, from 1873 downwards: could you supplement that by a table showing the amount of sterling and rupee borrowing during the same period?—Yes, I will give you that.

1600. And also the amount spent in the construction of railway and irrigation works during the same period, both in rupees and in sterling?—Yes.

1601. That will enable us to see how far India had been constructing railways out of revenue, or how far she had been expending money borrowed for the purpose?—I will supply the table.

1602. (*Mr. Hambro.*) Referring to your tables showing the gold production in India in the last ten years, could you supplement that by giving the amount also got out of the earth during the same time, so as to get the total amount in India?—I am afraid we have not got the statistics of mining production in India for ten years, but I will give them to you for all the years for which we have them.

1603. (*Mr. Le Marchant.*) In your statistics of prices, could you point to figures as showing that Indian prices had adjusted themselves at the date of the closing of the mints to the sterling value of the rupee?—No, I cannot go further than to say that Indian prices remained pretty steady from 1873 onwards until about 1885, and that then they rose rapidly, and in about the proportion in which silver had depreciated. I think it may be said that from that date onwards to the closure of the mints Indian prices had adjusted themselves to the value of the rupee.

1604. As a general inference, you would draw that conclusion?—Yes.

1605. You have given some statistics of area of cultivation. Can you give us any special statistics of the area of cultivation of tea and coffee in recent years?—Yes, I have those, and I am glad you have asked for them.

1606. Do they show that there has been no pause in the extension of tea cultivation?—There has been no pause in extension. From a paper which I wrote about the end of last year I take the following figures, which give the number of acres under tea in the 12 years from 1885 to 1896:—

1885	283,925	1891	362,437
1886	298,219	1892	374,869
1887	312,803	1893	395,839
1888	324,327	1894	400,527
1889	333,701	1895	415,717
1890	344,827	1896	433,113

The figures for 1897 have not reached me, but from a recent official report it appears that in Assam about 45,000 acres were added to the area in 1897.

1607. Has the range of prices of those articles varied with the increase of competition?—The fluctuations in the prices of tea have been great. I take the prices as returned by the Bengal Chamber of Commerce from 1873. Taking the figure in 1873 as 100, they varied between 148 and 110 down to 1884. Then prices began to fall. In 1885 and 1886 the price was 90, falling then to 77, 84, 77, 68, 81, 71, 87, 82, 97, 84, 64. So that it can only be said in regard to tea that there has been a great fluctuation of prices with a drooping tendency for the last 12 or 13 years—say since 1885.

1608. Would that apply to any one particular kind of tea?—That is fine Pekoe. I have also the figures for the other kinds—broken Pekoe, Pekoe, and Pekoe-Souchong.

(*Sir A. Dent.*) You ought to put in the average of the whole invoice.

1609. (*Sir J. Muir.*) It is essential if you are going to be impartial to give the average?—I have the prices of four different qualities, these being the qualities which form the bulk of the exports.

1610. But you could easily get the exact figures from the Indian Tea Association?—I asked for them some time ago, but was informed that the Association were unable to verify or supplement my records. Then, to answer Mr. Le Marchant's question as to coffee. Coffee is different from tea in this respect that it is grown, and can be grown, only in a restricted region. The number of acres under coffee in 1885 was 237,000; in 1896 it was 289,000, the increase having taken place although the possibility of growing coffee outside of a certain zone is small, and the plant has had to maintain a struggle against disease and against the competition of tea, which is tending to take its place in Southern India, as it has done in Ceylon. The record of prices of coffee is so remarkable that I really do not know what is the origin of the complaints of persons interested in coffee. There is a fall in prices now, it is to be hoped only temporary, but for the 10 years from 1886 to 1897 East Indian coffee in London has shown a range of very high prices.

The following figures represent the Annual Average of the Weekly Prices of East India Coffee in London:—

	s.	*d.*		*s.*	*d.*		*s.*	*d.*		*s.*	*d.*
1874	100	10	to	119	0	1886	58	2	to	101	8
1875	98	8	„	116	3	1887	85	6	„	104	10
1876	100	1	„	117	2	1888	75	1	„	97	7
1877	99	7	„	120	2	1889	91	7	„	101	2
1878	95	3	„	119	0	1890	100	0	„	112	2
1879	85	10	„	115	8	1891	98	4	„	111	6
1880	85	5	„	113	9	1892	97	8	„	111	0
1881	71	1	„	110	9	1893	98	8	„	111	4
1882	61	2	„	108	9	1894	93	9	„	108	3
1883	66	11	„	104	7	1895	92	5	„	109	4
1884	56	3	„	95	3	1896	88	11	„	110	11
1885	52	1	„	98	11	1897	82	11	„	107	0

1611. (*Mr. Le Marchant.*) You were speaking of taxation as having been reduced in 1882, and subsequently re-imposed or increased as the sterling value of the rupee fell. What equivalent do you think the

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taxpayer has got for that additional taxation?—Really nothing at all, it may be said. All that taxation, or at any rate the greater part of it, has been imposed for the purpose of filling the deficiency caused by the fall of the rupee. The re-imposition since 1886 of taxation to the extent of between 6 and 7 crores has compelled the taxpayer to work longer and harder in producing for export more merchandise to pay the sterling obligations. Ordinarily, it may be said that taxation, if it is spent in the country on useful objects, is only a redistribution of wealth, and that though sections of the population are being taxed the whole population is benefited; but in this case it is not apparent where the benefit comes in, or where the benefit of any further taxation for the purpose of filling the gap caused by a further fall of the rupee would come in.

1612. So far as that additional taxation is represented by a larger amount of Council bills and an increase of exports, do you consider that India gains an equivalent?—No, it is simply paying more produce for the same debt.

1613. With regard to trade and discount rates, can you point to any facts which would account for a higher rate of discount ruling for a longer period than, say, 5 or 10 years ago?—I observed that one or two witnesses spoke of the stringency of the money market being spread over a longer period of the year now than used to be the case. I am inclined to think that they left out of consideration the fact that the busy season of the year is now much longer than it used to be. In former times the busy season of the year extended only over about three or four months. Now, the busy season of the year extends over six or seven months or more, and consequently the demand for money extends over a longer period of the year, and with the demand a higher rate of discount. I do not say that that accounts for the whole of it, but it is a factor that ought to be taken into consideration. If any one says that the prolongation of the period of high rates is due to the closing of the mints (which I do not myself admit), then it may fairly be said in answer that part of it, at all events, is due to the prolongation of the busy season.

1614. It has been suggested that the Government should offer higher rates of interest on sterling loans to attract more capital for the development of railway construction. In your opinion would that lead to a probable loss on railway revenue account?—It would depend upon what the rates are.

1615. Higher, I assume, than the present?—Yes, I think so. As it is, with the present rates there is a loss on the account.

1616. And any rapid increase of that in the amount of sterling capital raised, and the rate of interest paid for it would, at all events for a time, cause a revenue loss?—It would weight the country with a burden from which it would only be relieved after a number of years, as the railways began to earn as much as—or more than—the interest. Many of the lines cannot do this for a period of some duration, some of them will never do it.

The witness withdrew.

FOURTH DAY.

Tuesday, 7th June 1898.

PRESENT:

The Right Hon. Sir HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The Lord BALFOUR OF BURLEIGH.
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, Secretary.

The Hon. ALLAN ARTHUR called and examined.

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1617. (*Chairman.*) You are at the present time President of the Bengal Chamber of Commerce?—No, I recently resigned.

1618. How long had you been president?—I was president last year, and I was president in 1893, and I was president for the first two months of this year.

1619. Also you carry on a large business in Calcutta?—A moderate business.

1620. You have been in business in Calcutta for how many years?—I have been in business in Calcutta for 10 years. I was in Bombay before that for 11 years.

1621. You have 21 years' experience of Indian trade?—Yes.

1622. Have you been a member at all of any of the councils?—I am at present a member of the Viceroy's Council.

1623. Now, in what you are going to say to us today, are you representing the views of the Bengal Chamber of Commerce?—No, I think not; I am expressing my own views.

1624. I suppose that in the Bengal Chamber of Commerce, as in other chambers of commerce in India, there is a divided opinion upon the questions that are referred to this Committee?—Certainly.

1625. Would you feel justified in saying that you represent a great body of opinion among the mercantile classes in Calcutta?—I think I may say that I represent a very large body of that opinion, and I think the press in India practically agree with my views.

1626. At the present time what is the most important question affecting the interests of commerce in India?—The currency question.

1627. During the past year I suppose there have been two very important questions in connexion with the currency of India, namely the refusal of the Government of India to accept the proposals of the American and French Governments to remonetise silver, and the establishment of a gold standard in Japan?—Yes.

1628. Both those events have taken place during the present year?—Yes.

1629. What do you regard as the ultimate effect of the proposals of the American and French Governments with reference to the demonetisation of silver?—I think the ultimate object was the fixing of the ratio between silver and gold at 15½ to one.

1630. What would that have made the rupee?—About 1*s.* 11*d.*

1631. Will you tell the Committee what you think would be the effect on the trade of India if the value of the rupee had been raised to 1*s.* 11*d.*?—I think it would have had a most disastrous effect on the trade of India. It would have upset a great many contracts, both for imports and exports. I think it would have ruined many of the industries of India.

1632. But that would have been, I suppose, simply a temporary effect. In the course of time, assuming the rupee had been fixed at 1*s.* 11*d.*, the conditions of trade would have re-adjusted themselves to that?—I think so.

1633. What was the effect in 1890 of the large increase that then was made in the value of the rupee?—In the import trade there was to a certain extent very great trouble owing to the piece-goods dealers in Calcutta trying to repudiate their contracts, but fortunately, I think, for India, the high rate of exchange did not last long, and there was a decline just as rapid and as great as the rise had been.

1634. Can you tell us what the value of the rupee was prior to the rise in 1890?—It was about 1*s.* 5*d.*

1635. And what did it rise to?—1*s.* 8$\frac{1}{16}$*d.*

1636. In what period?—That I think was between February and August.

1637. Then what did it fall to in that same year?—It fell to about 1*s.* 5*d.*,

1638. Now will you give us your opinion as to what was the effect on the trade of India of the closing of the mints in 1893?—I should say that the effect in the first two years was not disastrous. I think that trade went on fairly well.

1639. I suppose there was considerable dislocation the first year?—There was in the first instance, especially in imports, which were stimulated, and there was certainly a dislocation in the export trade until the Secretary of State began selling his bills again.

1640. When the Secretary of State began selling his bills again with the mints then closed, do you think there was then either a beneficial effect, or the contrary effect, on trade?—I think I can hardly answer that question, because the trade, as it were, is in a transition state.

1641. When do you think the transition state will terminate?—It has not terminated yet.

1642. You still regard it as in a state of transition?—Yes.

1643. Do you think that the present rate of Council bills, which is a fraction over 1*s.* 4*d.*, is regarded as a permanent rate?—Yes, I think it is regarded as a permanent rate. There is a very large export business going on, and if the exports of India are going on largely, I think people in India think the rate will be continued, *i.e.*, provided the currency has contracted.

1644. I suppose the effect of the Government being bound to give rupees for gold at 1*s.* 4*d.* is to prevent any further rise in value?—Yes.

1645. Practically the effect of the condition which was then added to the closing of the mints has been almost automatically to prevent the rupee rising above 1*s.* 4*d.*?—Yes, that is the effect.

1646. Do you think it is possible to re-open the mints?—I think it is practically impossible to re-open the mints.

1647. Will you tell the Committee why you think so?—I think on it being declared that the Government would return to open mints the rupee would immediately decline to 11*d.* and could not rise above that, so long as the present ratio between gold and silver coins in Japan lasts.

1648. You say the rupee would immediately decline to 11*d.*, but supposing the intrinsic value of the rupee was, say, 8*d.*?—It would go to 8*d.*

1649. But you think that whatever the intrinsic value might be it must go to 11*d.*?—Yes, as a maximum, I think, so long as the present ratio between gold and silver coins in Japan lasts.

1650. Just explain that to us?—In Japan the gold yen and the silver yen are interchangeable.

1651. Is the yen about equivalent to the rupee?—The silver yen is about 2*s.* 0¼*d.*

1652. (*Mr. O'Conor.*) The old silver yen is practically a dollar, but of course the gold value has fallen very much.

(*Chairman.*) Suppose silver went back to 60*d.* an ounce what would be the effect on the yen?

(*Mr. O'Conor.*) The yen then, of course, would be the same value as the dollar; it would be about 4*s.* 2*d.* I think.

1653. (*Chairman.*) The yen and the dollar are practically the same?

(*Mr. O'Conor.*) Practically identical.

Witness. The gold yen, if shipped to London and minted, would out-turn 2*s.* 0·32*d.* The silver yen if minted in India under the old conditions, would out-turn a little under Rs. 222 per 100 silver yens.

1654. (*Chairman.*) What would that be per rupee?—That would equal about 11*d.* per rupee. The exchange banks could sell sterling in Japan at about 2*s.* 0¼*d.* and could buy and ship to India silver yens which, if minted in India, would, as I have said, out-turn Rs. 222 per 100 silver yens, which is equal to about 11*d.* per rupee. The transaction would pay the banks so long as Indian exchange remained a fraction above 11*d.*

1655. But, of course, if it went below 11*d.*——? It would not pay the banks.

1656. Then the rupee would sink to its own intrinsic value?—Yes.

1657. I understand your argument to be this: Given the opening of the mints to the unlimited coinage of silver, the present monetary condition of Japan, and therefore of that portion of the East, would prevent the rising in the exchange value of the rupee above 11*d.*; but if the exchange value of the rupee fell below 11*d.*, it would fall in that case to its intrinsic value as bullion?—Yes. Of course, it would pay the exchange banks, so long as exchange remained a fraction above 11*d.* It is therefore plain that the rupee could not rise above 11*d.* without being immediately arrested by shipments of yens, and this would last until Japan was denuded of yens or until silver was maintained at a level above 29*d.*

1658. But if silver rose above 29*d.*, would it raise the value of the rupee?—Oh, yes, if silver rose above 29*d.*, the rupee would go up.

1659. Now, will you tell us what the effect on the financial condition of India would be if the rupee was permanently fixed or went down to 11*d.* How would that affect the taxation of India?—With the rupee at 11*d.* as against 1*s.* 4*d.*, the annual increase in taxation would amount to the enormous sum of between 11 and 12 crores of rupees; and as the increase would be immediate and not gradual, India would be face to face with bankruptcy, or at all events, in my opinion, the increase in taxation would be so exasperating as in all probability to lead to another mutiny, and in this event it would be a mutiny not of the soldiery but of the people. These are contingencies which the mercantile community cannot afford to face.

1660. I see that the average rate of exchange during the period that I was in office was a very litttle over 1*s.* 1*d.*; was there any increase of taxation then?—I cannot say that.

1661. There was an increase of import duties. The import duties are now part of the revenue, but I want to direct your attention to this. You think 11*d.* would be fatal to the financial position of the Government of India, but as a matter of fact has not the rupee been as low as 13*d.*, and that has not been fatal to the position of the Government of

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India?—But the rupee was only that for a short time.

1662. I will give you the figures. The average for the whole year of 1894–5 was 1*s.* 1*d.* with a very small decimal. Then in 1895–96 it was practically a little over 1*s.* 1½*d.* Then the next rise, the real appreciable rise, was in 1896–97, when it was 1*s.* 3½*d.* In 1897–98 it was 1*s.* 3½*d.*, and that is practically what the Secretary of State is going to estimate it for again, at 1*s.* 3½*d.* for the year. So that that very low rate of the rupee did last a considerable time?—Yes, that is a point I have not gone into lately.

1663. Now what do you say about the silver rising above the 20*d.*, having regard to the world's supply of silver. What was the experience when America was buying 54,000,000 ounces yearly?—The experience was that silver gradually and steadily declined.

1664. The re-opening of the mints would not involve so large an absorption of the world's production of silver as the compulsory takings under the Bland and Sherman Acts?—I think not so much.

1665. Supposing the present state of financial affairs—in case of the mints being re-opened—would India be practically the only large buyer of silver?—You may say that India would be practically the only large buyer of silver.

1666. We have had some evidence about the stability of exchange. Will you tell us, as a mercantile man, what is your view as to the desirability of stability of exchange?—I think the stability of exchange with the silver standard is absolutely impossible.

1667. Will you just explain that in your own way?—With the great commercial countries? In my opinion, silver is now a commodity; it fluctuates just as other commodities fluctuate; it is not money. Silver is not money; and as silver fluctuates, the rate of exchange would naturally fluctuate with the fluctuations in silver.

1668. In other words you consider the price of silver would be so uncertain and so varying that it would not possess the first element of a monetary standard?—Quite so.

1669. Can you give us any reasons as to the expediency or inexpediency of returning to a silver standard?—In his evidence before the Herschell Committee, Mr. Stephen Ralli stated that in or about 1873, when silver was demonetised, his firm placed their capital on a sterling basis. It is also a well-known fact that the exchange banks without exception have remitted their capital to England, because they distrust the silver standard.

1670. You say it is a well-known fact that the exchange banks without exception have remitted their capital to England; supposing anybody disputed that as a matter of fact, what would you say to them?—I should say it is a matter of common knowledge from the reports of the exchange banks.

1671. There is no doubt about it?—There is no doubt about it.

1672. In fact you do not think that is arguable. Is it a fact?—That is the fact. Then, if the silver standard is not good enough for Messrs. Ralli Bros. and the Indian exchange banks, how can it be maintained that it is a good standard for India as a whole?

1673. What would be the position of the Indian money market on a silver standard?—I would suggest that, under a silver standard, the position of the Indian money market was at times most unsatisfactory. Those people who now cry for open mints, say that the moment the mints are opened dear money will be a thing of the past. This might possibly be the immediate effect, but I ask how long would it last?

1674. You say there is dear money now?—There is certainly dear money now.

1675. Do you think there is now a contraction of the currency?—Well, that is a very difficult question.

1676. Do you think there is a contraction of capital?—There is a contraction of loanable capital. There seems to be considerable confusion in the minds of the advocates of a silver standard as to what constitutes cheap money. They thought that large imports of silver gave plentiful money, but too often these large imports meant merely an increase in the bulk of the currency without increasing the supply of capital. The result, at all events, was seldom a low bank rate, which is the real test of plentiful money.

1677. What is the present bank rate?—When I left Calcutta it was 11 per cent. I think it is now 10 per cent.

1678. What would you call the normal average bank-rate in Bengal?—Of course, for the last two years the bank-rate has been very high.

1679. Take the two years before?—I should say about 6 per cent., and before that it was lower.

1680. Can you give me any comparison with this country. The Bank of England rate being 3 per cent., what would be the corresponding equivalent to a bank-rate in Bengal?—I should say 5 or 6 per cent.

1681. That is to say that practically in Calcutta a bank-rate between 5 and 6 per cent. would be regarded there as we regard a 3 per cent. rate here?—I think so. There were constantly recurring periods of great stringency before the mints were closed. In 1874, 1876, 1877, 1882, 1884, 1889, and 1890, the Bank of Bengal rate went into double figures—10 per cent. or over.

1682. The value of the rupee in 1874 was 1*s.* 10*d.*, in 1876 it was 1*s.* 8*d.*, in 1877 1*s.* 8¾*d.*, in 1882 1*s.* 7¾*d.*, in 1884 1*s.* 7½*d.*; in 1889 it was 1*s.* 4½*d.*, and in 1890 it was 1*s.* 4½*d.* Would you draw from that the inference that the stringency of the money market is totally independent of the exchange value of the rupee. You say there were periods of great stringency when the rupee was very high?—Yes. I say that that is due to the fact that there was a want of confidence in the silver standard.

1683. And even as far back as 1874?—Even as far back as 1874, and I say that, while the Bank of Bengal rate was 10 per cent. or over, the Bank of Bombay rate was higher. The Bank of Bombay rate is as a rule higher in March and part of April than the Bank of Bengal rate. In the years which I have mentioned, as at present, the exchange was liable to fall heavily, and the banks and others had no confidence in buying Council bills and silver, with which to provide India with sufficient currency.

1684. What was the result of that?—The result was that the Indian money market never got immediate relief as it would have done if India had had a standard in which banks and capitalists had complete confidence. The distrust of silver is greater now than it was before the mints were closed as evidenced by the condition of China at the present time, and I unhesitatingly say that there never will be confidence in silver, unless—and even then it is most doubtful—the price of silver is fixed by international agreement.

1685. You say that that is evidenced by the condition of China at the present time. Will you just explain that?—I was informed by some of the bankers in Calcutta that they were afraid to ship silver to China, because they did not know at what rate they would get their capital back.

1686. I suppose that applies to their shipping silver anywhere?—Yes.

1687. What do you say India requires to be the chief characteristic of its standard?—India requires a standard in which capitalists will have absolute confidence.

1688. You mean absolute confidence as to its permanent fixed value?—Confidence as to its permanent fixed value, *i.e.*, stability.

1689. Now, what have you to say as to the producing power of India?—I say from the producing point of view India is an immensely rich country. Her labour supply is inexhaustible. Her soil is so fertile that in

some parts of the country two crops yearly are taken out of the ground. As an example of her recuperative powers, one has only to think of the immense shipments of wheat she is making this year, a year following one of extreme famine. It can be taken as undisputed that India is a most fertile country.

1690. From that would you draw the inference that India's producing power is sufficient to carry off the Secretary of State's bills?—*I* think so, provided she is supplied with capital.

1691. From another point of view, I suppose you would say that India is not a very rich country?—From the point of view of loanable capital, I say India is a poor country. There is no doubt that many of the maharajahs and noblemen of India have immense fortunes, but they do not as a rule apply them to remunerative public works or remunerative industries. The irrigation works, the railways, the jute and cotton mills of Bengal, the tea gardens of India, the indigo factories, in fact nearly all the important industries of India have been made with British capital; excepting in Bombay, where the cotton mills have been to a considerable extent established by native capital.

1692. Capital sent from this country?—Capital sent from this country.

1693. Capital beneficially employed in India?—Capital beneficially employed in India.

1694. And the interest on which of course, has to be remitted to this country?—To a very great extent, unless the proprietor of one of these industries is in India.

1695. Assuming British capital out there, what is called the drain upon India is simply the price which the Indian manufacturer has to pay for his capital which he would have to pay wherever he got it from?—Yes.

1696. You think the future development of the natural resources of India will depend to a great extent upon *their obtaining* foreign capital?—I think it is absolutely necessary to have foreign capital. I think it is certain that the rich natives will not provide it.

1697. What do you think at present is restraining the import of English capital, when there is such a surplus of capital here that people are content with the lowest rate ever known?—I should say it is the distrust of the Indian standard. No one knows what he will ultimately get back from India if he sends 100 sovereigns there.

1698. That you regard as the real key of the position?—Certainly.

1699. Capitalists in Europe will not send their capital to India because they do not know what shape or value that capital will have when it is returned to them?—Yes; unless, of course, they see that they are going into a very good thing. They would, of course, go into a thing if they see there is a very high rate of profit.

1700. Now is it right to say that the great bulk of the Indian trade is done with gold-using countries?—I believe there is about 80 per cent. of Indian trade done with gold-using countries.

1701. Does that lead you to any conclusion with reference to what the standard should be in India?—I say on that account the standard should be the same as that of the great commercial countries with which she does her export trade.

1702. I suppose that practically both the buying and selling with gold-using countries is carried on a gold basis?—Certainly.

1703. The subsequent reduction of the transaction into rupees is a subsidiary matter altogether?—Yes.

1704. The exporter sells on a gold basis?—Yes.

1705. It is rather a speculative matter; but what do you think would be the opinion of native Indian bankers with regard to this question?—My opinion is that the native of India is a born banker. If the Government had been in his hands there is every reason to believe that the country would have followed the example of every independent nation (Mexico excepted), and discarded silver when it was found that the local currency fluctuated relatively to the currencies of the countries with which India does most of her trade and all her borrowing.

1706. Has that been the effect in Japan. That is the course that has been pursued in Japan. Japan has established a gold standard this year?—Yes.

1707. And you believe the effect of that will be beneficial to the industries and commerce of Japan?—I think so.

1708. Now an objection has been raised that a rupee of 1*s.* 4*d.* would be antagonistic to the thriving of the local industries—the internal trade of India?—Yes. People do say that closing the mints is strangling the trade and industries of the country. The jute mills of Bengal have never had a more prosperous time than in the last 12 months, because there has been an immense jute crop, the indigo planter seldom if ever had more prosperous seasons than the two preceding the last season.

1709. I suppose the prosperity or the bad trade in indigo would arise from the extent of the crop?—For the last year the crop has been bad.

1710. A bad crop will make a bad trade, anyhow?—A short crop will make very high prices, as a rule.

1711. What do you say about the tea industry?—The tea industry has not had a good season, but I say that has nothing whatever to do with the standard.

1712. Why not?—The weather was unsuitable last season, and the production has for the time overtaken the consumption.

1713. With reference to the cost of carrying on a tea planting business, does not the increase of the value of the rupee to, say, 1*s.* 4*d.* very much add to the cost of production in India?—That is a very broad question.

1714. I do not want the reason of it, I want to get first the matter of fact. Let us put this concrete case. A man sells a sovereign's worth of tea in London. If he receives at 1*s.* 4*d.*, he gets 15 rupees only for that sovereign; if the exchange is low, he may get 17 or 18 or possibly even 20 rupees. Is he or is he not getting a disadvantage in his payments in India by getting a less number of rupees for the gold price of the article which he produces?—In the case of labour, for instance, he has an advantage.

1715. In the low exchange?—In the low exchange, but that advantage, I say, would cease when wages rise, as they are bound to do, as the rupee goes down, and that advantage to the tea planter would in time be lost. At present it is an advantage.

1716. But has he any corresponding advantage in the purchase of other things which he gets from England in higher prices?—He has. His stores cost him less.

1717. Do you think the one to any extent balances the other?—I think it does to a very great extent.

1718. Then may I ask you whether, if the normal condition were arrived at, and we had a permanent 1*s.* 4*d.* rupee, and wages were based on that and purchases of stores were based on that, then do you think the tea planter would suffer any exceptional disadvantage?—I do not think he would. The question of the price of tea would then become merely a question of supply and demand. If there was a low production of tea, the price would be high; if there was a good production the price would be low.

1719. So far as this is concerned, you are of opinion that the reduction in the price of tea has been mainly owing to the production being in excess of the demand?—I think so.

1720. Now about wheat?—Wheat has been exported in immense quantities notwithstanding very high freights and the maximum rate of exchange. When exchange was at its lowest and freights were very low, no wheat was exported, partly because the European markets did not want any, and partly because there was little to export. America, India's greatest competitor in cotton and wheat, notwithstanding her standard being

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on the basis of a 1*s.* 1*d.* rupee, has made immense strides in her export of both of these articles. Java, with her gold standard of, say, 1*s.* 8*d.* per rupee, has made immense strides in sugar, while Mauritius with her silver standard has remained stationary. Burmah is not losing her position as a rice-exporting country, notwithstanding the fact that other rice-producing countries such as Cochin China and Siam are on a silver basis at the rate of about 10*d.* per rupee. I am pointing all this out to show that circumstances other than the standard of a country have got to be taken into consideration when one is trying to find out the economic reason for the trade in any particular article of commerce expanding or declining. Climate, soil, geographical position, labour, are all far more potent factors in regulating the trade and industries of a country than the monetary standard. A depreciating standard may help certain industries up to a certain point, but, if certain industries do get an advantage by a depreciating standard, some other interest must suffer.

1721. I suppose you would hold the opinion that a depreciating standard cannot permanently be of any benefit to the country?—No permanent benefit.

1722. If it is a good thing for India to have a standard, say, of 1*s.* the rupee, I suppose it must be a better thing to have it at 6*d.*?—Certainly.

1723. Then one might go on to 3*d.*, and then it becomes a *reductio ad absurdum*?—Certainly.

1724. Now what do you say to the tea growers advocating a low exchange? Just apply what you said just now to the tea industry?—Tea growers advocate a low exchange (when they say a low exchange they must mean a depreciating standard), but the advantage they get on this account is gained at the expense of some other interest (such as importers, taxpayers, labourers), and would be counterbalanced by an ultimate advance in wages, which, with a depreciating standard, must in time advance, though wages, especially in India, take a long time to move.

1725. Are you aware that there is great opposition on the part of the tea industry to this 1*s.* 4*d.* rate?—On the part of some people there certainly is.

1726. Especially the Ceylon growers?—Especially the Ceylon people. I may mention that one of the leading agents in Calcutta told me before I left that while he favoured a fixed rate of exchange, he thought 1*s.* 3*d.* or 1*s.* 2*d.* would be more suitable than 1*s.* 4*d.* In reply to my request for his reasons, he said that the industry was overdone, and that at 1*s.* 2*d.* it would last longer without a crisis than at 1*s.* 4*d.* There is no doubt that the industry has been overdone for the time being, but fixing the rate of exchange at a low level will not place it on a sounder basis. It certainly will not increase the consumption which is what is wanted to meet the increase in production. Tea-shares are not in favour at present either in Calcutta or in the City of London. This has nothing to do with the currency, but is due to the idea that the supply of tea has for the time overtaken the demand, and that the supply in the near future is likely to further increase.

1727. I suppose you would apply that argument to every other industry—that its success or failure depends on the law of supply and demand?—Certainly.

1728. And that the instrument by which the trade is carried on, the medium of exchange, cannot affect the law of supply and demand?—Just so.

1729. Now what do you say about the point that if India had been under a silver standard its prosperity would have been much greater?—People will say that if India had been under a silver standard when the jute mills, the indigo planter, the wheat grower, were having their time of prosperity, their prosperity would have been much greater, for they would have had abundance of cheap money. They would certainly have had abundance of cheap silver, but, if cheap silver is to be regarded as cheap money as measured by the international standard, why not follow the logical conclusion of this argument by discarding silver and taking to a cheaper medium, paper, or copper or cowries?

1730. Did the jute and indigo and wheat trade suffer with all the other classes in India?—Yes. I pointed that out when I stated that the Bank of Bengal rate of interest went into nearly double figures. Lately the jute and cotton manufacturers in India have had to pay 12 to 14 per cent. interest to carry their stocks of raw material. Dundee and Lancashire carry theirs at four to five per cent. The stringency of money in India is a terrible tax on the trade and industries of the country, and on this point every one is agreed.

1731. I have no doubt the other members of the Committee who understand the matter better than I do will examine you upon the questions of the stringency of currency, and how it affects trade, and so on. I will only ask you here whether the stringency of the money market would, in your judgment, be alleviated by a stable exchange?—By stability in exchange and confidence in exchange.

1732. The Bengal Chamber of Commerce have recently passed a resolution with reference to this stringency urging the Government to adopt a specific policy. What do you say with regard to that?—They urged on the Government the desirability of passing the recent Gold Bill to enable the Government to pay rupees in India out of the currency reserves in exchange for gold, deposited in the Bank of England.

1733. That was a failure?—Well, it was no failure; it was no part of the Government scheme.

1734. I mean there has been no great amount of gold dealt with under that?—None whatever, but it was a measure desired by the mercantile community to avert a monetary panic.

1735. Now there is another point. You have told us about the high bank rate. Has that rate been as high as the discount in the bazaars?—No, my experience is that the rate of discount in the Calcutta bazaars has not been so high as the bank rate. During the recent period of stringency I know I had some bills to discount and I went and asked the rates for discounting them, and I was quoted in the bazaar 8 per cent. I was quoted by the Bank of Bengal 13½ per cent. I did not discount the bills, but those are the quotations that were given to me.

1736. That would imply that the native banker had available capital to dispose of?—No doubt he had capital to dispose of at a lower rate than one could get from the exchange banks.

1737. Then do you think that the present monetary system of having a varying rate for the rupee and no guaranteed minimum is likely, unless it is altered, to lead to constantly recurring periods of stringency?—I do.

1738. Will you just tell the Committee why?—Because the people who have money in England will not send their money out to India under the present policy.

1739. Do you mean in the absence of a gold standard?—The absence of confidence—the absence of a gold standard.

1740. I suppose what we have to-day may be called, as a distinguished authority called it, an exchange standard; the effect of the closing of the mints has been practically to create a standard of 1*s.* 4*d.*?—Yes. Through having a maximum rate for the rupee and no guaranteed minimum, monetary stringency of the most extreme character is bound to recur. The monetary stringency is due, in my opinion, to the failure to complete the establishment of the gold standard, of which the closing of the mints in 1893 was merely the first step. With an effective gold standard established there is no reason why monetary stringency should continue.

1741. You consider the present state of things is absolutely transitory—that it cannot continue—I mean with the mints closed and nothing more being done. Do you deprecate that?—I deprecate that.

1742. And you deprecate going to a silver standard?—I deprecate going back to a silver standard.

1743. You deprecate basing the currency of India upon the intrinsic value of silver?—I do.

1744. Then what is the other alternative which you point out to the Committee?—To link the standard of India with that of the mother country.

1745. That is to establish a gold standard?—To establish a gold standard, a standard in which there will be confidence, as it is only with such a standard that we shall have an influx of fresh currency, without which the trade and industries of the country must be hampered and strangled.

1746. Will you state in your own words what you think would be the effect of the influx of fresh currency?—If my individual opinion is worth anything at all, I should like to add that the less gold that is taken by India for the establishment of a gold standard the better. Her gold indebtedness is paid in exports of produce, and anything India does to lead to the appreciation of gold will react against her by reducing the gold prices of her exports. Advocates of the single silver standard have argued for years that it does not matter what the rate of exchange was, and that the country in order to discharge its gold indebtedness would have merely to export the same amount of produce in sterling value. The argument, however, is only half true, for it overlooks the fact that the sterling value of produce in Europe almost invariably declined with a drop in the rupee. The curse of the silver standard was that, as exchange declined, the buyers of Indian produce lowered their gold prices, and India had to ship all the more produce in order to pay her gold debt. As I have pointed out, the opening of the Indian mints would be immediately followed by a decline in the rupee to 11*d.*; and arguing from past experience, there can be no doubt that the sterling prices of Indian produce would, in such an event, fall enormously. One can only speculate on the unfortunate results to all connected with India, should such a thing take place. If the gold prices of Indian produce declined to the same extent with the rupee at 11*d.*, as they have done in the past with a declining exchange, India in order to pay her gold indebtedness would have to ship an enormously increased quantity of produce, a thing that would suit the exporting merchant admirably; or, to look at the question from the taxpayers' point of view, there would be the burden of the direct annual additional taxation of 11 to 12 crores of rupees, to which I have already referred, and which would be necessary if the rupee went to 11*d.* as against 1*s.* 4*d.*

1747. What would be the effect of establishing a gold standard in India, in your opinion?—The effect would be, in my opinion, to stop the lowering of gold prices of Indian produce. Other countries that have depreciating standards may follow this course, but with India out of the race to amass wealth in a depreciated standard, there would be one competitor the less—and perhaps the greatest sinner in that respect—to reduce the gold prices of produce. The world has declared for gold, and, when all countries are on a gold basis, gold prices will be regulated solely by supply and demand, and will cease to move with the fluctuations of silver as compared with gold.

1748. Do you think that India will be able to pay her indebtedness on a gold basis?—With regard to that I should like to point out that given a standard in which the world will have confidence, there can be absolutely no doubt that the influx of British capital into India will be immense, and as there is no question that India's fertility and her immense labour supplies give her great advantages over most other countries, the result can only be a prosperous India. Can it, I ask, be argued that a country, amply supplied with capital, whose taxes and prices are on a gold basis, is in a worse position to pay her gold debts than a country whose capital and taxes are based on a metal of fluctuating sterling value, for which there is no market outside her own shores?

1749. When you use the phrase "gold standard," do you favour the proposals of the Government of India, or do you favour any other proposals which have been made in India for establishing a gold standard, or do you favour what was the view of Lord Welby and Lord Farrer upon the Currency Commission of 1893—the absolute convertibility of the rupee?—I think that the rupee should be made convertible as soon as it can with safety be made convertible.

1750. That is rather a wide margin. I suppose you mean by that that, a gold standard being established, the rupee then should become purely token currency?—Yes.

1751. But a token currency convertible as the silver currency of this country is convertible?—Yes.

1752. Would you put any limit upon its legal tender? At present silver is an unlimited legal tender in India?—Yes.

1753. Do you think it would be possible to alter that?—I should not alter it.

1754. You would leave that alone?—I should leave that alone.

1755. Then what would you propose next, that a definite quantity of rupees, or that rupees required only for exchange purposes, should be made convertible?—My point is that it is necessary to give confidence to the standard of India, and in order to do so, I say the only way is by making the rupee convertible.

1756. Of course, that involves a great, or at all events a considerable, diminution in the amount of rupees in circulation?—Not necessarily.

1757. You would not contemplate the opening of the mints?—No.

1758. Then, closing the mints, at once admits the principle of restriction?—Undoubtedly.

1759. How would you carry that out?—The question of convertibility?

1760. Yes?—That is a scheme I should like to leave to the very best expert opinion.

1761. But we are regarding you as an expert?—I do not profess to be that. I profess to know what effect the balance of trade has had upon the exchange of India, but I am not a currency expert.

1762. Now the every-day transactions of India, I suppose, in purchases and sales in the bazaars, and the payment of wages, and the buying of food, and other matters, are all small in amount?—Very small.

1763. I mean, as compared with similar transactions in this country?—Very small.

1764. And I suppose, whatever step was taken with reference to standard, the popular currency must be of a very small value?—Quite so.

1765. Assuming the absolute convertibility of the rupee into gold, and *vice versâ*, could gold be used in the daily transactions of India to any extent?—No, it could not.

1766. I suppose that even in a great many transactions in India silver is not used?—Copper is used, and cowries are used.

1767. Have you any idea in your own mind as to the proportion of currency that is in the circulation—whether copper is very much behind silver in volume or approaches it?—I do not think the Government of India copper coin is used to any very great extent. The copper coins I see mostly in the bazaars are what are called dubs.

1768. Is the rupee the smallest silver coin in India, or are there smaller coins?—We have the half rupee, 4 annas, and 2 annas.

1769. All in silver?—All in silver.

1770. An anna is equivalent to a penny?—Yes.

1771. And you have a silver coin as low as 2*d*?—Yes.

1772. You have no higher silver coin than the rupee?—No.

1773. When there was a gold currency, as there was up to the time of Lord Dalhousie in India, what was the highest gold coin then?—The gold mohur.

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1774. What was the value of that?

(*Sir D. Barbour.*) Sixteen rupees; it was coined at 16 to 1.

1775. (*Chairman.*) Then from all this we may gather that your opinion would be that even if there was a gold standard there would not be a large amount of gold required for internal use?—Just so.

1776. I suppose the larger amount would be required for adjusting exchange?—For adjusting the balances, yes.

1777. Now, how would the establishment of such a standard affect either the London markets or the general markets of the world, having regard to the production of gold in the world, and the amount that would be absorbed in India?—People say that the British Government are not so foolish as to give a guarantee to the convertibility of the rupee, because there would be no end to the demand for gold or for gold bills on London by Indian speculators.

1778. What is your answer to that?—I think that that is a complete mistake. It is not the practice of speculators to buy anything when at its maximum price, and the gold bills will only be sold by Government when exchange is at its lowest, that is to say, when gold is at its top price.

1779. You assume that they would only part with the gold when it was at its maximum value?—I say it is not the practice of speculators to buy anything when at its maximum price, and the gold bills will only be sold by Government when exchange is at its lowest, that is to say, when gold is at its top price. Remitters for purposes other than speculation in gold or exchange——

1780. That would be the ordinary merchants?—The ordinary merchants might buy the gold bills to a large extent at times, but it is to be recollected that every million sterling remitted in this way would mean the withdrawal from Indian circulation of a crore and a half of rupees, and as this curtailment of circulation tends to increase the supply of trade bills and diminishes the demand for remittance, remitters would be driven by the "logic of events" sooner or later to abandon the business. Personally I think a guarantee of the convertibility of the rupee should be given by the British Government. I say that because there is a disposition in some quarters to decline to allow India to have a gold standard, for the sole reason that it may upset the London money market. If India desires to have as the basis of her currency system a standard which is acknowledged to be the basis of Great Britain's commercial supremacy, Great Britain, while refusing the gold necessary to make India's gold standard effective, cannot, in justice to India, also refuse to give that guarantee of convertibility which for the purposes of the Indian currency system would be as good as gold.

1781. I do not quite understand what you mean by guarantee?—Guaranteeing the convertibility of the rupee.

1782. But in what shape or form? Let me put an illustration. The British Government does not guarantee the convertibility of the shilling?—But the shilling is practically convertible; it passes from hand to hand.

1783. But that is under no guarantee of the Government?—Still there is confidence in the currency of England, and therefore the shilling is passed from hand to hand.

1784. Is not that rather owing to the fact that there is a limit to the supply of shillings? Let me put it in this way: The convertibility of our silver currency would go to-morrow if there was an unlimited coinage of it. You are probably aware that no one has a right to take a bar of silver and have it coined at the Mint; the Bank of England have no such right. The Government only coin what, acting under the advice of the Bank of England (which is the best advice, of course, they can get), they consider necessary for daily use. Its convertibility does not depend on the Government guarantee, it depends on there being as many people wanting shillings for the purposes of our daily business as there are shillings to be had, and the fixed value of that shilling is the twentieth part of a sovereign?—Yes.

1785. Now just apply that to India. The Bank of England, when it issues a *5l.* note, guarantees that there are five sovereigns behind it, and it is bound to pay five sovereigns for a *5l.* note, but the bank guarantees nothing with regard to silver?—I quite understand that.

1786. Now just apply those principles to India?—It would be impossible for any Government to guarantee convertibility if the mints were opened to the free coinage of silver; but if there is a restriction on the coinage of silver, I do not see myself why the convertibility should not be guaranteed. It would not be possible with open mints.

1787. That we are agreed upon. Now let us take the argument a step further. Assuming a restricted volume of silver currency, how does the guarantee come in? Is the Government to be bound to give to everybody who tenders them 15 rupees a gold sovereign?—I should suggest that it is the only way to make the gold standard effective.

1788. I want you to explain that to the Committee?—All economists without doubt are agreed that exchangeability at a fixed rate will alone give fixity of exchange.

1789. But I do not see where it is accompanied by a guarantee?—I do not think any country guarantees convertibility, but there is practically convertibility in most countries. For instance every person who sends gold to France knows that he will get it back.

1790. But if you present a cheque on the Bank of France they are not bound to pay it in gold?—No.

1791. The silver received is practically of no advantage for the purpose of remitting?—No.

1792. Then will you apply that to India?—All I say with regard to India is that the capitalist ought to be put in a position, if he remits 1,000 sovereigns to India, to be certain of getting them back again.

1793. I do not want to reopen that argument. I agree with you there for the purposes of this examination, but I want to see how that practically can be carried out?—That is a thing I cannot give evidence upon, because, as I say, I am not a currency expert.

1794. But I want to deal with you as a practical man of business. Is not the mode in which it is carried out in all the countries of the world by the supply of token silver currency being not in excess of, but equal to, the demand?—Yes.

1795. That is what regulates it?—Yes.

1796. If you can suddenly flood any country with silver token currency—flood it far beyond the demands of the people—then your convertibility is gone?—Certainly.

1797. Now will you give us your opinion as to what you think the rate of convertibility should be?—I think it would be a mistake to alter the present rate of 1*s.* 4*d.*

1798. I want to know why. If there were three propositions before the Committee—one to have the rupee at 1*s.* 2*d.*, another to have the rupee at 1*s.* 4*d.*, and another to have the rupee at 1*s.* 6*d.*, which of those three should you favour, and why?—I should favour the 1*s.* 4*d.* rate.

1799. Why?—Because in the first instance I think prices in India have adjusted themselves to the rate of 1*s.* 4*d.*

1800. You think they have?—I think they have, in the way of contracts for exports and imports.

1801. And wages?—Wages have not moved.

1802. You think not?—I think not.

1803. Have you anything else to say upon that?—I think if the 1*s.* 4*d.* rate were abandoned, say, for 1*s.* 3*d.*, people would at once say that the Government of India had given way in the matter of their rate; and if they lowered it to 1*s.* 3*d.* it might go down to 1*s.* 2*d.*, and if it went down to 1*s.* 2*d.* it might go down lower still. The result of lowering

the rate from 1*s.* 4*d.* to 1*s.* 3*d.* or 1*s.* 2*d.* would be, I think, to destroy all confidence in the ability of the Government to maintain the rate which they fixed for the standard.

1804. There is a great deal more discrepancy, you know, in the value of the English shilling—its circulating value and its bullion value—than there is in the rupee. Taking the rupee now at 1*s.* 4*d.*, its intrinsic value, I think Mr. O'Conor said, was 10*d.* Then, I think, the value of the shilling is 5½*d.* That is a much greater discrepancy?—Yes.

1805. Will you read to us what you said on the 21st January last, in the Viceroy's Council, as to the position of the Government of India with reference to exchange?—My remarks were as follows:—"My "Lord, I hold in my hand a statement which shows "the amount of money which would have been saved "if the rupee had been maintained at 1*s.* 4*d.* during "the financial years of 1894–5, 1895–6, and 1896–7."

1806. You will put in that statement?—Yes. (*The witness subsequently put in the following statement:*—)

STATEMENT showing the Amount of Money which would have been saved if the Rupee had been maintained at 1*s.* 4*d.* during the Financial Years 1894–95, 1895–96, 1896–97.

Council Bills.

Year.	Amount drawn.	Actual Exchange.	In thousands of Rupees.	
			Exchange at 1*s.* 4*d.*	Difference in Exchange.
1894–95	30,96,99	14,06,48	10,32,33	3,74,15
1895–96	31,08,54	13,42,09	10,36,18	3,05,91
1896–97	25,78,70	10,26,05	8,59,57	1,66,48

Exchange Compensation Allowance.

Year.	Actual Charges.	Average Rate of Year.	Estimated Amount at 1*s.* 4*d.*	Difference.
1894–95	1,24,96	1*s.* $1\frac{47}{128}$*d.* = 16·637%	46,94	78,02
1895–96	1,33,82	1*s.* $1\frac{33}{128}$*d.* = 17·930%	46,64	87,18
1896–97	94,33	1*s.* $2\frac{1}{16}$*d.* = 12·905%	45,68	48,65

Pay of British Soldiers.

Year.	Actual Rate of Exchange fixed.	Deficiency from 1*s.* 4*d.*	Estimated Saving in Expenditure.
1894–95 - -	1*s.* 1⅝*d.*	2¼*d.*	37,84
1895–96 - -	1*s.* 1¼*d.*	2⅜*d.*	49,38
1896–97 - -	1*s.* 1½*d.*	2⅛*d.*	44,25

The savings may be taken at the following amounts:—

Year.	Council Bills.	Exchange Compensation Allowance.	Pay of British Troops.	Total.
1894–95 -	3,74,15	78,02	37,84	4,90,01
1895–96 -	3,05,91	87,18	49,38	4,42,47
1896–97 -	1,66,48	48,95	44,25	2,59,38

Summary.

Rs. 4,90,01,000
„ 4,42,47,000
„ 2,59,38,000

Rs. 11,91,86,000 @ 1*s.* 4*d.* = 7,945,733*l.*

The saving which would have been made on Council bills in exchange compensation allowances and on the pay of British soldiers in these three years, would have been 11·910 crores of rupees, which at 1*s.* 4*d.* exchange is equal to 7,945,000*l.* That would have been the saving in the three years. "This sum would have paid "interest on a conversion fund of 88,000,000*l.* sterling, "which is equal to 132 crores of rupees. Mr. F. C. "Harrison, who is an authority on the subject, "estimates the total rupees in circulation at 120 "crores. While giving these figures I have no "intention of hazarding an opinion as to what sum "is required to for an adequate conversion fund. I "think it sufficient to point out that one of two things "must be faced:—(*a*) either an automatic machinery "which will fix exchange, and may cost something, "or (*b*) a decline in exchange. Which of these "courses, I would ask, would be the more costly? It "is needless to ask which is the more beneficial. It "is argued that it is impossible to estimate to what "extent a conversion fund would be drawn upon, and "that, therefore, the amount required to form a con-"version fund is indefinite. Equally indefinite is the loss "which will be occasioned by a decline in exchange. "The cause is precisely the same in both cases. The "unfavourable balance of indebtedness that would "lead to large demands on a conversion fund, would "equally cause a decline in exchange. The figures "which I have given would seem to show that it "would be better in the interest of the finances of "India to fix on a sound conversion scheme than "to continue the policy of waiting with all its un-"certainties, the disastrous fluctuations in exchange, "and its periods of excessive monetary stringency." That is the position which I put before the Viceroy's Council.

1807. Have you anything to add to it to-day?—I have merely to add that Sir James Westland gave no answer to it. I think my argument was unanswerable. I would add here that the uncertainty caused in the matter of taxation by the constant fluctuations in the rupee—more especially by the constantly downward course of the rupee, which meant steadily increasing taxation—was a grave political danger in India.

1808. Do you think it is possible now to impose additional taxation in India at the present time?—I believe it is not possible to impose any great additional taxation without the chance of serious political trouble in India.

1809. And I suppose I may ask you if it was the general opinion, both of the Indian Government and the Indian commercial community, that the imposition of the import duties of 1894 was an absolute necessity on public grounds as well as on financial grounds?—Yes.

1810. Was it a matter, as I told the House of Commons, of public safety as well as financial necessity?—Yes.

1811. (*Lord Balfour of Burleigh.*) There are two points that I should like to clear up for my satisfaction. You said, early in the course of your evidence, that it is a well-known fact that the exchange banks, without exception, have remitted their capital to England, because they distrust the silver standard. Will you give me the year to which you refer in which those transactions took place?—I think in the year 1893 some of the banks remitted their money; in 1894 some of the banks remitted their money. I know that one bank remitted its money last year.

1812. What was the process—how was it done?—I suppose they bought bills of another bank or bought mercantile bills.

1813. But you put it as a well-known fact and so indisputable that I thought you would be able to tell us of your own knowledge how it was done?—In the ordinary way in which any remittances are made. If I wanted to remit 10,000*l.* from India, I should buy 10,000*l.* worth of bills from one of the banks, and send them to my agent in London. I suppose that is the way in which it would be carried out.

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1814. Was it announced at the time that they did it, or how did you acquire the information?—I have seen it in bank reports and I have been told by bank managers.

1815. Will you put in (I do not mean now, but when you correct your evidence) some of those reports?—I think I can do so. *The witness subsequently put in the following:—*

(1.) Extract from the Fifty-third Report of the Directors of the National Bank of India, dated 27th February 1894:—"In view of the recent fall "in Indian exchange, and the great uncertainty as "regards the future, the directors believe it will be "satisfactory to the shareholders to know that the "rupee capital was brought home from India before "the fall occurred at an average rate of 1*s.* 3⅛*d.* per "rupee, so that the whole of the bank's capital is "now held here in actual sterling, and is conse-"quently no longer liable to be affected by exchange "fluctuations."

(2.) Extract from the Report of the Directors of the Agra Bank, dated 8th March 1897:—"It will be "seen from the balance sheet that at 31st December "last half of the bank's capital had been converted "into sterling. Your directors are pleased to notify "that the conversion of the remaining half has been "fixed during the current half year."

1816. I think you say, and, probably most people would agree, that capitalists will not risk their capital unless they see a chance of getting back their capital when they want it?—Quite so.

1817. But you gave as an exception (in which I think everybody will also agree) that the thing which would tempt them would be the certainty of getting a high rate of interest?—Yes.

1818. What rate of interest do you point to as sufficient to tempt capitalists to risk their money in that way?—I think 10 per cent.

1819. But they have been paying more in India, have they not?—On industrial concerns?

1820. Yes?—Some industrial concerns have paid more and others less.

1821. The bank rate you say has gone to double figures—up to 13½ per cent. I think you said?—12 per cent. I think.

1822. That is not enough to tempt capitalists, you think?—No. I do not think it is, because people do not know at what rate they will get their capital back.

1823. You said that a high rate of interest would tempt them; I understood you to say just now that 10 per cent. would be enough?—10 per cent. as a permanent investment. The bank rate is only temporarily 12 per cent., at all events we hope so

1824. But can you tell me what the average rate round the year is, either in Calcutta or Bombay, for loans on good security?—That is a question that it is difficult to answer owing to the monetary stringency of the last two years: but I should think anyone sending out money to India during the last two years would have got an average of 8 per cent. on undoubtedly good securities. That is a rough guess.

1825. You stated, I understand, in answer to the Chairman, that every independent nation had discarded a silver currency?—Yes.

1826. Is that so?—Excepting Mexico.

1827. There may be something about the expression "independent nation." I do not know whether in recent times I should call China an independent nation?—I do not think China is quite a silver country. Her mints are not open to the free coinage of silver.

1828. What is your definition of an independent nation that has discarded her silver currency?—An independent nation I should say is a nation that has got absolutely free control of its own affairs.

1829. But China is an example which breaks down your proposition?—I should say China is not a civilised nation.

1830. Then I am to put in "civilised" nation?—Yes. Besides, I think I am right in saying that China is not exactly on a similar basis. It is not a country with open mints.

(*Sir A. Dent.*) There was no mint at all until a short time ago in China, and they coin now copper cash.

1831. (*Lord Balfour of Burleigh.*) In the course of your examination by the Chairman considerable reference was made to the opinion of those who are interested in tea and their desire to have a low exchange, or as you correctly, I think, put it, a falling exchange, on the ground that they got more rupees for the sovereign in respect of the produce which they delivered in this country, and you then went on to say that wages had adjusted themselves?—Wages ought to adjust themselves.

1832. You did not commit yourself to the opinion that they did adjust themselves?—I think I have committed myself to the opinion that wages have not altered in India so far.

1833. So that to that extent, for what it is worth—I do not say that it is worth everything that is put upon it—the advantage to the producer of getting more rupees for his sovereign, is a considerable advantage to him?—It is an advantage as far as labour is concerned, but I wanted to point out that in connection with the tea garden coolie, the tea garden coolie, who is under what is called Act 1, has got to get so many maunds of rice from the tea garden employing him at a fixed rate. The fixed rate is, for example, Rs. 2/14—at all events it is a very much lower rate than the rate at which rice can be bought now, and the tea garden proprietor has probably to pay Rs. 3/14, or perhaps Rs. 4/14 per maund for his rice, and in that way he loses so much of the apparent gain that he makes by a low exchange.

1834. My object in putting the question was this: I wanted to find out whether in your opinion wages did or did not adjust themselves. If rice costs more, wages did adjust themselves?—Yes, that is as regards certain coolies. All coolies are not under Act 1; some are under other Acts, and the tea garden proprietors have not got to pay these coolies in rice, and as far as I know they do not pay the coolies any more than they did. I think myself wages have not moved in India.

1835. Not at all during the period when the rupee was at its lowest?—I think not. In connection with skilled labour prices have advanced. I am referring to labourers such as the weavers in the jute mills. That is another matter.

1836. At a later period of your examination you use the expression that the rupee should be made convertible as soon as it could be made convertible with safety?—Yes.

1837. What is the test of safety which you would apply?—That there should not be a breakdown; that if Government undertake convertibility they should so arrange it that there shall not be a breakdown in the scheme.

1838. I want to elicit from you what is a test which would in your opinion make it safe for the Government to take the particular course which you recommend?—The Government would have gradually to acquire a stock of gold.

1839. May I ask what stock of gold would make it safe?—That is a point I should like to leave to currency experts.

1840. You say it would be safe for the Government to give the guarantee which you suggest of the absolute convertibility of the rupee because, as you expressed it the option would remain with the Government. The passage in your evidence that I have in my mind, is this: "People say that the "British Government are not so foolish as to give "this guarantee, because there would be no end to "the demand for gold or for gold bills on London "by Indian speculators. That is a complete mistake. "It is not the practice of speculators to buy anything "when at its maximum price, and the gold bills will "only be sold by Government when exchange is at

" its lowest." I do not want to put words into your mouth that you did not use, but I took down your words at the time You said that this in effect would give the Government the option when it would and when it would not sell gold bills?—I think if the rupee was convertible you would always have to be prepared to sell gold for rupees.

1841. That was the next question I was going to put to you. Therefore, the option would not remain with the Government?—No.

1842. Therefore, if anyone took it into their heads to demand gold, having rupees to give for it, the Government would be obliged to accommodate them?—Yes.

1843. Is that a position which you think would be safe for the Government of India?—Only with a sufficient guarantee—a sufficient gold reserve. They could not do it without that.

1844. You will not commit yourself as to what would be a sufficient gold reserve?—I cannot say. I should not like to hazard an opinion.

1845. (*Sir D. Barbour.*) You referred to a depreciating standard, what do you understand by a depreciating standard?—A depreciating standard is one under which the rate of exchange is constantly declining.

1846. The rate of exchange with what?—With gold.

1847. You take gold as absolutely stable?—Yes.

1848. Do you know that some people say that gold is an appreciating standard?—Yes.

1849. And you know that gold prices vary?—Yes.

1850. And also you know that silver prices have latterly tended to rise very much; there has actually been a rise in silver prices?—Yes.

1851. So that with reference to commodities gold has appreciated, and with reference to commodities silver has been depreciating in recent years?—Yes.

1852. Then, I think, the first evil of the present state of things, which you call the transition state, is the fluctuations in the value of the rupee?—Yes.

1853. Are they greater than before the mints were closed?—I should think they have been rather greater than before the mints were closed, except in 1890.

1854. That was an exceptional year altogether?—No doubt.

1855. But now they are rather worse?—Rather worse and more unexpected.

1856. The next evil is the high rate of discount?—High rate of discount.

1857. Are those the two evils of the present day?—Those are the two.

1858. There is no other that you are aware of. I do not suggest that there are any others. I merely ask whether any others have come to your notice?—Those are the two great evils.

1859. Of course, the high rate of discount to some extent tends to correct itself; that is to say, money becomes more profitable in India, and people for the sake of a high rate of discount are more likely to send money there?—But they do not, as there is no confidence in the standard.

1860. That is on the other side, but the high rate of discount would induce people to send money there?—It ought to do.

1861. I suppose the banks have raised the rate on fixed deposits?—They have.

1862. And if there was money to be had in the bazaars at 8 per cent. it is possible that some of that money would be attracted to the banks. That would be the tendency, would it not?—I do not think the natives lend money to the banks. I mean the bazaar money does not go to the banks.

1863. If you can only get 8 per cent. in one street in Calcutta, and you can get 12 per cent. in the next street, the chances are that some of the 8 per cent. money would flow to the other street; that would be the tendency?—Yes.

1864. You are aware that there has been a rise in exchange from 1894 to 1898, that is taking it year by year?—Yes.

1865. What do you think is the cause of the rise?—I think that is due to the gradual contraction of the currency.

1866. I do not know whether you would expect the contraction of the currency to cause a fall in prices?—A fall in rupee prices?

1867. A fall of rupee prices?—I think it would.

1868. One theory of the economists is this, given a certain rate of exchange and a fall in prices, it at once becomes more profitable to export, and less profitable to import, the rate of exchange being the same, therefore the rate of exchange turns in favour of the country where prices fall. That is the common theory. Now do you know any way in which the contraction of the currency would affect the rate of exchange otherwise than by lowering prices in India?—I do not think I do.

1869. Have prices fallen in India?—Prices have not fallen so far.

1870. That makes it difficult to see how the contraction of the currency could have caused the rise in exchange?—The two last years I may say have been abnormal years. It is difficult to talk about prices now, because I think, as I say, we are still in a transition state.

1871. It is very difficult to deal with prices in India; some rise and some fall, but I want to point out this. It is commonly considered that contraction of the currency causes a fall in prices, and that the fall in prices causes a rise in exchange, but you say that so far in India you cannot point to that fall in prices?—No.

1872. Now do you think the exchange will continue high under present conditions, I mean present conditions as regards the gold standard?—I think the exchange must continue high.

1873. You think it will continue high?—It must continue high.

1874. Why?—On account of the contraction of the currency.

1875. You have no doubt that the present rate of exchange will be maintained?—I think so.

1876. There is no fear of a fall?—No, so long as export business is going on to a moderate extent.

1877. Will the time come when exports will not go on to a moderate extent?—Well, take the case of a famine, for instance, which I hope we shall not see. With exceptions of that kind I do not see why export business should not go on.

1878. You have no fear about any fall of exchange?—Not at present.

1879. I do not know what you understand by the words "at present." Are you satisfied that the contraction of the currency has now brought the exchange to a point at which it is likely to remain permanent?—I think that is so.

1880. Would you as a business man have sufficient confidence in the exchange to send your money out to India to get this high rate of discount? You say you are confident that the exchange will remain permanent. Have you sufficient confidence to send your own money out?—Yes.

1881. And you have only to persuade people into having the same confidence and their money will go to India?—Yes. Of course you have against India the possibility of the exchange going down, but I do not see myself how exchange would go down under the present policy.

1882. You say another famine might cause exchange to fall?—Yes, because there are fewer exports to go forward in a time of famine.

1883. How do you account for the fact that the exchange rose last year though there was a famine?—During that period the Government had to expend a great deal of money on the famine and for war purposes.

1884. But were exports stopped last year?—I think to a great extent.

1885. Then how did the exchange keep up if exports were stopped last year?—Well I think it was the reduction in the sales of Council bills.

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1886. Larger sales might put the exchange down?—Yes.

1887. And shorter sales put it up?—Yes.

1888. Do you think the proposals of the Government of India as to melting down of rupees would affect exchange?—You mean the recent proposals of the Government of India?

1889. Yes, I am referring to the recent despatch?—Personally I do not like the idea of melting down rupees.

1890. I do not imagine that anybody likes the idea very much; but would you approve it in all the circumstances of the case?—It depends very much whether the currency is redundant or not.

1891. How would you test the redundancy?—That is very difficult to answer.

1892. Then you do not approve or disapprove. You do not like melting down rupees, but you are not prepared to say that you disapprove of these proposals?—I disapprove of these proposals if the currency is not redundant.

1893. But you are not prepared to say whether the currency is or is not redundant?—No.

1894. If the exchange is now at 1*s.* 4*d.*, and likely to remain there permanently, currency can hardly be described as redundant?—Quite so.

1895. You talked in a part of your evidence of the uniformity of value of the standard. I do not know exactly what you mean by that?—I did not use that phrase.

1896. I suppose you admit that uniformity of value is impossible in anything?—Yes.

1897. Now as regards the argument that the standard that was not good enough for Messrs. Ralli Brothers and the exchange banks, was not good enough for India. I believe the Presidency banks have their capital raised in rupees?—Yes.

1898. And they have never transferred to a gold basis?—No.

1899. And on the whole they have been doing very well?—Yes.

1900. And the native bankers whose capital is in rupees have never shown any tendency towards a gold basis?—No.

1901. It is very much a question of where the capital is raised. If you raise your capital in gold you do not want to put it into rupees, which may fall in value, but if you raise it in rupees you feel pretty safe?—Yes.

1902. Before 1873 there was confidence in silver?—I understood so. I cannot go so far back.

1903. Do you know if before 1873 there were these high rates of discount in Calcutta?—I cannot tell you.

1904. You do not happen to recollect the very high rate of discount at the time of the American cotton famine?

(*Mr. Campbell.*) It rose tremendously then. That was in 1865.

(*Sir D. Barbour.*) You do not happen to remember that?—No.

1905. I thought you might have read of it?—I think I have.

1906. How about capital going to India? Capital of course may go to India for a great many purposes, but I think we may roughly classify the remittances of capital to India into two categories: capital for banking purposes, to be used for buying bills lent out for 5 or 6 months and coming back again, and capital for the purpose of investment in tea gardens or jute mills. The capital that goes out for the purpose of investment in tea gardens or jute mills becomes fixed?—Yes.

1907. And in the case of capital that goes out for banking purposes it remains in Calcutta or Bombay; it is lent out and comes back?—Yes.

1908. Now it is quite possible that a low exchange might make it exceedingly profitable to send out money for investment in tea gardens. And that might be sufficient to overcome the reluctance of people to put their money into silver?—Yes.

1909. But that cause would not operate in the same way in the case of money sent out for banking purposes?—No, unless the rate of discount remained permanently high.

1910. You know, of course, that the supply of capital in India has always been rather limited, especially banking capital?—Yes.

1911. And the banks have remitted a great deal of their capital away from India—the European banks I mean?—Yes, and also the holders in India.

1912. The people who are in the habit of placing their money on deposit?—Yes.

1913. You mentioned the remarkable fact that the money in the hands of the natives in the bazaars, the native capitalists, seems to be more plentiful, that is to say, you were able to get it at 8 per cent.?—It certainly has been lower.

1914. I am not questioning it in the least. I merely ask you if the fact that money was more plentiful with them does not corroborate the statement that money has been sent by the European banks out of the country?—Yes, it does.

1915. The bank of Bengal has a capital of Rx. 2,000,000. The closing of the Indian mints did not reduce the capital of the Bank of Bengal in any way. It lent out its Rx. 2,000,000, and got them back again and lent them out again?—Yes.

1916. So that all that money is still available in the Bank of Bengal?—Yes.

1917. And if there was any exchange bank which had its capital there in whatever form in Calcutta, and continued to use it in Calcutta for banking purposes, the closing of the mints would not have reduced the available capital by a single rupee?—Not the capital of the bank.

1918. Nor would it have reduced the capital that was made available to the banks by means of fixed deposits, unless of course a depositor withdrew his deposit?—Just so.

1919. But whatever capital was available at the closing of the mints remains there still unless it has been lost or remitted out of the country?—I think so.

1920. The closing of the mints does not affect the actual existing supply of banking capital. It is possible that there may be less accumulation of new capital?—It affects banking capital in this way. The capital of the exchange banks has been remitted out of the country.

1921. But the mere closing of the mints by itself does not reduce the amount of the banking capital that was available in India at the time the mints were closed. If it is followed by remitting out of India, that, of course, is a different thing?—Just so.

1922. You mentioned that banks were afraid to remit silver to China, but do not they in point of fact send their silver to China?—Well, I got my information from two bank managers in Calcutta—that the banks in London were afraid to send capital to China in the form of silver.

1923. But silver does go there?—Oh yes, but not to a sufficient extent.

1924. We had evidence to the effect that there was a very great deal of silver in Bombay, all of which went out to Singapore and the East, and in that direction. There is much more than there used to be?—Yes, but I am speaking of the present time.

1925. This bank friend of yours said the banks were afraid to send silver to China, but, in point of fact, silver has been going largely into China?—Yes, but it may not have gone in sufficient quantities for the development of Chinese industries.

1926. I suppose the large exports of wheat this year from India are very largely due to the high prices in this country?—I should say entirely due to the high prices in this country.

1927. There was a good crop in India?—A wonderfully good crop.

1928. And an unusually high price here?—Yes

1929. Now you said that every independent civilized nation is adopting a gold standard, or has been moving towards a gold standard?—Yes.

1930. You also say that the establishment of a gold standard in India might have a serious effect in the way of appreciating gold?—I did say that; not a very severe effect.

1931. Of course, if that is the case, the large accumulation of gold by Russia has appreciated gold?—Yes.

1932. And the same thing has happened in the case of Austria?—No doubt.

1933. Do you not think that, if there was any serious apprehension of that appreciation of gold, the proper course for the nations to adopt would be to cease to accumulate gold? If it is really the case that the establishment of a gold standard by India introduces a serious appreciation of gold, would it not be advisable, not only for India but for other countries, to think twice about extending the gold standard?—To India?

1934. To any country?—A country will not establish a gold standard if she does not wish to do so.

1935. The less gold she takes the better. Take the case of Russia. Russia had a large amount of gold to pay; she is a debtor country; she has accumulated an immense quantity of gold. Do you think she is wise in doing that?—I think that is the only standard she has.

1936. But if extending the standard introduces a dangerous appreciation of gold, it could hardly be a satisfactory standard?—It is a better standard than silver.

1937. It is a choice of evils?—It is a choice of evils.

1938. You said that as the rupee fell, gold prices fell?—Yes.

1939. Do you mean more than that the two things were simultaneous or closely related to each other? Would it be possible to argue, for instance, that it was the fall of gold prices that brought about the fall of the rupee?—I should say it was not.

1940. If gold prices in England fell, from whatever cause, that would cause a fall of the rupee, would it not?—Not necessarily, I think.

1941. You think not?—No.

1942. Now take this case. A man buys 1,000 rupees' worth of wheat, and he can sell it in England for 100*l.* Then the exchange at that time would be 1,000 rupees against 100*l.*, 10 rupees to the £?—Yes.

1943. Supposing that owing to the abundance of wheat the price of wheat falls to 50*l.* and he buys 1000 rupees' worth and sells it at 50*l.*, and the exchange is only 20 rupees to the £. In that case would not the fall in the price of wheat lower the value of the rupee?—I cannot quite follow that.

1944. If you can buy 1000 rupees' worth of wheat in India and sell it in England for 100*l.* you get 10 rupees for a pound?—Yes.

1945. If you can only sell it for 50*l.* then you only get a sovereign for 20 rupees?—Yes.

1946. The exchange has fallen?—Yes.

1947. That is a case, is it not, in which a fall in the gold price of wheat, other things being equal, produces a fall in the gold value of the rupee. I do not think there is anything unusual in that. It is what the books generally say?—Well, I do not quite follow it.

1948. Then you said that the Government of India had fixed 1*s.* 4*d.* as the rate of conversion. Has the Government of India ever committed themselves to that rate? Are they bound to it?—The Government of India declared that they would exchange rupees for gold at 1*s.* 4*d.*

1949. They did that, but was not that merely a provisional measure?—I think it was.

1950. It was done in accordance with the recommendations of the Herschell Committee?—Yes.

1951. That Committee said that there should be a provisional measure to prevent the exchange getting too high?—Yes.

1952. The Government are at liberty to make it 1*s.* 6*d.*—Yes.

1953. But public opinion has in some way drifted towards 1*s.* 4*d.*?—I think it has, because the Government of India practically declared it at 1*s.* 4*d.*

1954. You think the effect has been to bring public opinion gradually towards 1*s.* 4*d.*, and the Government too?—Yes.

1955. (*Sir J. Muir.*) You have just stated to Sir David that the Government could fix 1*s.* 6*d.*?—By notification.

1956. Is there anything to prevent its fixing a lower rate than 1*s.* 4*d.*?—I do not think there is.

1957. It could fix 1*s.* 2*d.*?—I suppose so.

1958. Regarding the exchange banks, I am afraid I am not so well up as to them as I ought to be. How many exchange banks are there in India?—I should think there are about 10 or 12. Perhaps Mr. Campbell can tell us.

(*Mr. Campbell.*) About 10, I think.

(*Sir J. Muir.*) You have, I suppose, a certain knowledge in saying that the whole of the exchange banks have remitted their capital. I am at the moment only aware of two actually having done it. Do you know of more than two having done it.

(*Mr. Campbell.*) Four have done it.

1959. (*Sir J. Muir.*) That is 4 out of 10?—But some of the exchange banks have only recently started.

(*Sir A. Dent.*) Almost all the exchange banks in London have done it.

1960. (*Sir J. Muir.*) Do I understand you to say that one of them sent home their money in 1893?—I think so.

1961. At what rate was that?—I know that one of the banks remitted it at the rate of 1*s.* 3⅛*d.*, and another a little later on at 1*s.* 2¾*d.*

1962. (*Sir A. Dent.*) Another bank remitted its money about 10 years ago. Do you remember that?—Yes.

1963. (*Sir J. Muir.*) I think you stated at the commencement of your evidence that your experience had been rather with Calcutta than with Bombay; but during your Calcutta experience, of course, you had a great deal of experience with tea-planting. Have you not changed your views rather with regard to the closing of the mints?—When the proposal came forward to close the mints I was against the closing of the mints.

1964. So I understood?—But after the step had been taken when Mr. Robert Steel moved in the Chamber of Commerce that in the opinion of the Chamber the mints ought to be opened, I opposed his motion, and proposed a resolution that the mints should not be reopened.

1965. What led you to change your opinion?—One thing which led me to change my opinion was that silver got into a very different position after the mints were closed to what it was before; America, for instance, stopped buying; and altogether I do not think silver is a fit standard for India to have.

1966. I do not follow your argument in regard to its not being a permanent advantage to tea companies to have a low rate of exchange by selling bills upon London bankers against rupees at 1*s.* 1*d.*, instead of 1*s.* 4*d.*, because all the reports that have recently come out of the tea companies urge that as a reason why their results are much less this year than formerly. You know the Assam Tea Company. I have in my hand their 58th report, which was only issued yesterday afternoon. That is, perhaps, the most prosperous of all the companies; it has been very long established. Let me read you this extract from their report: "The "production and manufacture of our tea during the "past year have not fallen behind the results of the "past season, but the circumstance that the Indian "Government have been able to maintain the sterling "rupee during the year at about 1*s.* 4*d.* has had the "effect of considerably diminishing our profits, in "common with those of all tea companies and other "industries carried on in India with British capital." This report shows a net profit of 31,288*l.*, and the profit of the preceding year was 43,294*l.*, making a deficit of 12,000*l.*, which they attribute mainly to the

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exchange being at 1*s.* 4*d.* instead of a lower rate. I daresay you have seen reports of other Indian tea companies, and you have noticed that almost without exception they refer to the exchange as the cause of their making less money?—Yes, I have seen those reports; I do not of course, agree with what is in them.

1967. (*Sir J. Muir.*) I think you mentioned that you could have discounted bills in the bazaar at 8 per cent., whereas at the bank the rate was 12½ per cent.?—13½ per cent. That is the rate that was quoted to me.

1968. Is not that a very exceptional thing, because in the bazaar it is usually a higher rate of interest than in the banks?—It is a very exceptional thing, no doubt.

1969. Do not you think that this particular man wanted to favour you?—All I can say is that the bazaar rate was lower than the rate at the banks all through this last time of stringency, and I could put in evidence to show that.

1970. You know Mr. John Littleton Symons?—Yes.

1971. Are you aware that he was chairman of the Bombay Chamber of Commerce and a director of the Bank of Bombay?—Yes.

1972. You have known him for many years as a capable business man, and you would say that his evidence was worth having?—Yes; I may say that I am not talking of Bombay; I am only talking of Calcutta.

1973. Here is an extract from a letter addressed by him to me on the 3rd April last: "When I left "Bombay on the 23rd of April the bank rate was "13 per cent., the same as it had been for some time "past. This rate, however, was nominal to a great "extent, for the Bank of Bombay was obliged to "refuse loans at as high as 18 per cent., even on the "security of Government paper." Now, there cannot have been money in Bombay in the bazaars, or the Parsees, or whoever they were, would not have gone to the bank at Bombay and offered to give 18 per cent. At all events, in Bombay there was obviously no such ease as you indicated in Calcutta?—All I say is, I adhere to my statement that in the bazaar the rate was lower than at the banks.

1974. But the difference between 8 and 13½ per cent. is very considerable. However, may I take it that you have a high opinion of Mr. Symons, and you consider from what you have known of him during the last 20 years that his opinion would be worth having?—Yes.

1975. And you would gather from his statements in this letter that at all events in Bombay it would not have been possible to borrow at 8 per cent.?—That I cannot say.

1976. Then did I understand you to say that you think there is no reason why exports should show a falling off?—Yes.

1977. Does that apply to Ceylon as well as to India?—It does.

1978. Are you aware that Ceylon almost entirely depends upon one industry—tea?—Yes.

1979. And an exchange rate of 1*s.* 4*d.* they regard as a rate that would ruin them?—Yes.

1980. If they are right?—But I do not agree with them. I do not think they are right.

1981. (*Sir A. Dent.*) You mentioned money not being sent out to China by the banks. I do not quite agree with you there. You talked of the money that was sent out to India to be coined. I think these dollars, about 33,000,000, which have been coined in India and sent on to the Straits and China, were chiefly to replace the Japanese yen which has been withdrawn from circulation in consequence of the gold standard being introduced in Japan, and also in consequence of the remittances of the Mexican dollars having fallen off?—I was not aware of that.

1982. The scarcity of money in China to which you refer, in my opinion is largely brought about by the war with Japan?—I do not know how that is.

1983. You say you are giving us your own views upon the matter, but that it represents a large body of opinion in India, especially press opinion. Is it fair to ask you whether that is the opinion of the planters in India?—No, I think many of the planters in India favour a lower rate than 1*s.* 4*d.*; others are satisfied with 1*s.* 4*d.*, but they are in a minority, I think. The great bulk of the planters want a lower rate than 1*s.* 4*d.*

1984. We have had quite a discussion about the exchange banks remitting their capital home. Have you any idea what the amount of that capital is, because I fancy it has been much exaggerated in the minds of a good many people?—Yes, I think it has.

1984*. I am connected with one of these banks myself, and it is quite a mistake to suppose that the whole of their capital is out in the East. It is really quite a small factor?—The point I wanted to make with regard to that was that if the exchange banks, who are supposed to know most about the currency conditions in India, consider that it is a dangerous thing to keep their capital in India, does not that make other people think that it is a dangerous thing to send capital to India? That is the point I wanted to make.

1985. You said that you think 5 or 6 per cent. a low rate of interest in Calcutta. Surely that would be a very low rate. Has it not been very difficult for a great many years to borrow money at anything like 5 or 6 per cent. in Calcutta?—No, from 1890 or 1891, I should say, up to about 1895 or 1896, you could borrow money in Calcutta at 3 or 4 per cent.

1986. You could get overdrafts at the bank on your tea estates?—Yes, at 3 or 4 per cent.

1987. (*Chairman.*) Borrowing on tea estates, I suppose, is borrowing on mortgage.

(*Sir A. Dent.*) I mean overdrafts from the bank for accommodation purposes.

(*Witness.*) From 1891 to 1895 the rate in India was very low.

1988. (*Chairman.*) You did not say that the interest on permanent loans was 13½ per cent., but that the rate that day for discounting a bill was 13½ per cent.?—Yes, for a four months' bill.

1989. (*Sir A. Dent.*) But there is very little discount, I suppose, in Calcutta as compared with other trade centres?—Very little.

1990. You said that the tea planters did not suffer very much from the higher rate of exchange of 1*s.* 4*d.* because they got the benefit in stores, and therefore the cost of the stores balanced to a certain extent the higher exchange?—Yes.

1991. But surely the amount of stores that a tea estate buys in sterling in England is a very small percentage of its annual expenditure, is it not? I think if you manage a tea estate you would find that to be the case?—Perhaps so.

1992. (*Sir C. Crosthwaite.*) Has money been very dear in Calcutta, and the Presidency towns in the last two years?—That is so in certain periods of the last two years.

1993. Will you tell me what periods?—From about December until May.

1994. Can you tell me whether the same dearness has prevailed in the interior of the country?—From what I hear it has not.

1995. Supposing that the dearness has been at all caused by the closing of the mints, that has not affected the interior of the country at all?—I believe not. I have heard that the Government dues in the North-western Provinces, for instance, and in some other parts of India are payable either in grain or in coin or cash, and the natives have elected to pay in cash.

1996. You think the Government dues are payable in grain or in cash?—Yes, or rents.

1997. I can say of my own personal intimate knowledge that that is not the case. In no part of India are Government dues paid in kind. Rents over a certain area in a part of the North-western and other Provinces are paid in kind, but the land revenue is not payable in any way except in cash. Now you

know that the rate of interest in the interior is very high, as a rule?—Yes.

1998. To the cultivators and farmers it is higher than in the Presidency towns?—I imagine it is.

1999. But, so far as you know, in the last two years that rate of interest has not been higher than the normal?—I believe not.

2000. The purchase of wheat is going on very fast at present, I think, and has been for some time?—Yes.

2001. The wheat is purchased by large exporters like Messrs. Ralli Bros.?—Messrs. Ralli Bros. purchase it in Calcutta, Bombay, Karachi, and also in up-country towns. Other exporters, as a rule, only purchase in the export ports.

2002. Rallis are practically all over the country?—In a great many parts of the country.

2003. And they purchase in small quantities from the cultivators. Have they complained at all that they have not been able to get sufficient currency for their business?—I cannot say.

2004. As a matter of fact they buy the produce and ship it, or, rather, send it down by railway, and they get advances on their bills from the banks to go on with?—Yes, I suppose Ralli Brothers sell bills to the banks and get money to buy the produce.

2005. They have not had any extraordinary difficulty in doing that in the last few years?—I should think not.

2006. You admit that the power of India to pay her debt would depend on her producing power—the quantity of production for export?—Yes.

2007. But you think that India is so rich in labour and so fertile, that she will have no difficulty in producing enough to pay her debt?—I think not.

2008. Whether the rupee is raised to 1*s.* 4*d.* or not?—I think at 1*s.* 4*d.* she will be able to pay it.

2009. And you ground that belief on the fact that she is rich in labour and very fertile?—Yes.

2010. She is subject sometimes to famines?—Yes.

2011. Extensive famines?—Yes.

2012. The maintenance of the rate at 1*s.* 4*d.*, and, I suppose also you will admit, the convertibility of the rupee, supposing your ideas were carried out, and the rupee made convertible for gold—both those things would depend upon her having enough produce to export?—No, I do not think the convertibility of the rupee would depend at all on the quantity of produce exported.

2013. Supposing the rupee was made convertible, and there was no produce to export what would happen?—I do not think I could suppose such a thing.

2014. We might suppose that there was much less produce to export than was necessary to pay the debt because that, I think, has occurred within recent times?—If India did not export at all she could not pay her debt.

2015. But it is possible to suppose, and I think it has occurred within the last two years, that India has not exported enough to pay her debt?—She has not exported enough on balance.

2016. I mean on balance, of course. I mean the net exports have not been sufficient to pay the debt of India?—Yes, that is the case.

2017. Suppose that that occurred over a series of years, what would happen with the convertible rupee, or rather with the gold stock, the gold reserve, which would make the rupee convertible?—Part of it would disappear.

2018. And then the value of the rupee would depend—— ?—Not if there was enough gold reserve.

2019. But the gold reserve you say would disappear?—If it disappeared altogether?

2020. Yes?—Well, the thing would break down.

2021. Therefore the whole basis of the thing depends really on the supposition that the produce of India, the net exports from India, will be enough to pay the debt?—Yes.

2022. Does the value of the rupee come at all into that question, I mean what is called the exchange value of the rupee?—I do not think, once it is fixed, that it will. I think India will be able to pay her debt and export her produce at 1*s.* 4*d.*

2023. But you think at 1*s.* 6*d.* she would not be able to?—It would be more difficult. It could be done, but it would be more difficult. It would require more gold.

2024. And if the rate were 1*s.* 3*d.* it would be less difficult?—Yes, but not very much, because the difference would only be 6 per cent., which is an ordinary market fluctuation.

2025. In order to make it obvious, take it at 1*s.*, would it be more difficult to pay her debts then?—I think it would.

2026. Why?—Because you have got more debt, for one thing.

2027. Why is the debt greater?—Because the rate of exchange is lower.

2028. You mean greater in rupees?—Greater in rupees.

2029. But greater in gold?—Well, I think it would be greater in volume, because, as I have pointed out in my evidence, the gold prices of Indian produce come down with a declining exchange.

2030. Therefore, you think that with a lower rupee India would have to export more produce to pay her debts?—Yes.

2031. And with a higher rupee she would export less?—Yes.

2032. Then why should we not raise the rate to 1*s.* 6*d.* You say it should be fixed at 1*s.* 4*d.*, but if we get off with much less exports with a 1*s.* 6*d.* rate, why not raise the rate to 1*s.* 6*d.*?—As I said before, I think the trade of the country has got accustomed to a rate of 1*s.* 4*d.*

2033. In fact, things have adjusted themselves to the 1*s.* 4*d.* rate?—Yes.

2034. Will you tell me how long this 1*s.* 4*d.* rate has existed?—I think it has only existed since December of last year. The year before last the rate almost approached 1*s.* 4*d.*, but not quite. In December last or about then the rupee touched 1*s.* 4*d.*

2035. In any case the 1*s.* 4*d.* rate has not existed more than two or three years?—No.

2036. Then we may take it that trade can adjust itself to a rate in two or three years?—Yes, I think so.

2037. Then why not go up to 1*s.* 6*d.* and gradually go from 1*s.* 6*d.* to 2*s.*, and so get rid of a very great burden? Take it that the trade can adjust itself to a raising of the rate in two or three years. I want to know why should we stop at 1*s.* 4*d.*; why should not we go on when things can adjust themselves so easily—go on and so save the country from this immense burden of taxation?—But you do not have stability if you go on raising the rate. I think the thing to do is to fix the rate at once.

2038. Turning to another point, you think the stringency of money—the dearness in the money market—arises to a great extent from the want of loanable capital?—Yes.

2039. And that the loanable capital is kept out of the country by the instability of the exchange?—I think so.

2040. Do you think that the loanable capital is kept out of the country more by the fact that the rupee is prevented from rising, or appears to be prevented from rising above 1*s.* 4*d.*, than by the mere instability of exchange?—I think it is kept out of the country more by the instability of exchange.

2041. But I thought that in mercantile business and in speculation—in commerce generally—you do not mind the risk, provided you see a chance of commensurate gain?—That is so.

2042. When you see that you have no gain, and that you have a very good chance of a loss, the case is different, is it not?—Yes.

2043. You see here there is a chance of a loss by the rupee falling very much, but, owing to the

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Government of India's apparent declaration—I say apparent, because, so far as I know, the Government of India has never declared that the rupee shall not rise above 1*s.* 4*d.*, but that has been taken for granted generally—owing to the apparent declaration that the rupee should not rise above 1*s.* 4*d.* it is equivalent to saying to a man, "You may send your capital into the "country at or near 1*s.* 4*d.*; you never can get any more, "and you may get considerably less." Do not you think that that is more disadvantageous than unstable exchange?—I understand that the reason loanable capital has left the country is that people who have money in India think that if they remitted now at the maximum of 1*s.* 4⅛*d.*, they cannot lose money by it; they remit money now on the chance that they may be able to remit it back again to India at a lower rate.

2044. How do you account for the fact that there seems to be as much loanable capital in the country as there ever was?—The fact that what is called loanable capital is remitted to England does not mean that the currency leaves the country.

2045. But if there is loanable capital in the interior of the country, why is there not loanable capital at the centres of trade?—I take it that people who had capital to lend have it no longer.

2046. People who had capital to lend, you mean, at the great centres?—Yes.

2047. But the people who provide the capital as a whole for the interior, they being mostly natives of the country, have not sent their money out of the country?—No.

2048. They use their money as usual?—Yes.

2049. Have you considered the effect upon Calcutta and Bombay money markets of the smallness of the balances which the Government of India had in the last two years, owing to the war and to the famine?—Yes.

2050. And the fact that the Secretary of State was not able to sell his bills as usual?—Yes.

2051. Do you think that has had to do with it?—It has had a great deal to do with it.

2052. And that did not affect the up-country market?—No. I think the up-country bankers know very little about exchange.

2053. But I mean there was a great deal of money spent in the interior on war and famine and railways which would otherwise have been available in the Presidency towns for the bills?—Yes.

2054. With regard to your opinion of the richness of the country, have you lived at all in the interior of the country?—I have not lived permanently there.

2055. I take it that a man living at Bombay or Calcutta knows just as much about the interior of the country as if he lived in Regent Street?—Well, I think he knows a little more; he must know a little about it if he is observant.

2056. You have referred especially to the fact that there are two crops grown in the country?—Yes.

2057. Can you tell me about the percentage of area on which two crops are grown?—I should think it is a small area. In Bengal I have seen two crops grown.

2058. It is a very common thing to grow two crops; are you aware that, in some countries, such as Italy, as many as six crops are grown?—No.

2059. In market gardens, for instance, many crops are grown, four or five, at any rate?—Yes.

2060. Can you tell me the average rate of produce per acre of wheat, say in India, as compared with England?—No.

2061. Would you be surprised to hear that it is very much less?—No.

2062. Although India is so fertile?—No.

2063. Can you tell me the average rate of rent in India, approximately?—No.

2064. Would you be surprised to hear that it is very much less than the rate in England, perhaps a tenth?—It is very much less. I do not know, exactly, what it is.

2065. With regard to the case of the tea planter and the coffee planter. Their interests, of course, are great, but there is a far greater interest, the interest of the whole of the producers of India, the native producers, the powers of wheat, jute, and cotton that cover the country with millions of acres and millions of people. Their interests in the aggregate, I suppose, are greater than those of the Ceylon planters?—Very much greater.

2066. Do you think that their interests are exactly on all fours with those of the planters?—No, I do not think they are exactly on all fours.

2067. Will you tell me in what points you think they differ?

(*Sir A. Dent.*) Are they affected by the rupee?

2068. (*Sir C. Crosthwaite.*) First of all as to the question of labour, the cost of labour is what the planters seem to lay most stress upon; that whereas they have to pay the same price for their labour in rupees, a much smaller portion of their gold profits will suffice if exchange is low to pay those rupees than if exchange is high, is not that so?—That is so.

2069. Now, with regard to the native producer of labour. How does he pay mostly?—I think he pays in kind.

2070. Then it takes the same quantity of produce to pay for the labour, whether the exchange is high or low?—Yes.

2071. And, if the exchange is low, I suppose the price of produce in rupees would be high?—That again would depend upon the gold price of the produce.

2072. Take the gold price as constant—because there is no possibility of arguing it unless you do that—then the rupee price of produce would rise?—Yes.

2073. And if he put his expenditure on labour, which I do not suppose he ever does, into rupees, it would appear to him to be high, would it not?—Yes.

2074. Whereas if the exchange rises we must anticipate—anyhow, that is the argument—that the price of produce would fall?—Yes.

2075. In that case if he put the amount of produce that he paid for his labour into rupees he would appear to be paying less?—Yes.

2076. Therefore he would probably not complain?—No.

2077. On that point, then, they are not quite on all fours?—No.

2078. Then we come to the rent: the tea planter, I take it, pays very little rent?—Very little rent.

2079. If he pays revenue to the Government at all it is very small?—Very small.

2080. He gets his land on very favourable terms?—Especially in Assam; he pays very little for a time.

2081. The amount of profits that are absorbed in paying the rent of the plantation is small?—Yes.

2082. But the amount of the ryots' profits, the native cultivators' profits, that is absorbed in paying his rent is not so small?—It is not so small. The tea planter pays the same rate as the cultivator under the Assam land rules after, I think, 30 years.

2083. Now Sir David Barbour asked you whether high exchange should not theoretically lower prices.

(*Sir D. Barbour.*) I do not think I asked that question. I asked whether or not a contraction of currency would act on the exchange in any other way than by lowering prices.

(*Sir C. Crosthwaite.*) Yes, whether the contraction of the currency would not act on exchange.

(*Sir D. Barbour.*) No. I asked whether the contraction of the currency could act on the exchange in any other way than by lowering prices.

2084. (*Sir C. Crosthwaite.*) And you admitted, Mr. Arthur, that prices had not fallen in India of late years?—I say prices are still in a state of transition.

2085. Is it not the fact that it is the gold price that rules them?—Yes.

2086. And the gold price of wheat has been very high?—Yes, and therefore wheat has gone forward.

2087. (*Mr. Hambro.*) If a banker or a local trader lends capital or discounts bills, does he not give the borrower currency?—Well, he may give a cheque.

2088. A cheque which is convertible into currency?—Yes.

2089. Therefore he gives him currency or its equivalent?—Yes.

2090. Is it not therefore necessary for a lender to have currency before he can lend?—Yes.

2091. If the Bank of Bengal could not discount your bills under 13½ per cent., did not that mean that the bank was not willing to part with currency except at a high rate of interest?—It might mean that the bank would do just as well elsewhere.

2092. They did not wish to part with currency except at a high rate of interest?—Yes.

2093. Did not that mean that currency was, as far as the bank was concerned, scarce?—I think so.

2094. It would mean that what they were going to lend they had not a very abundant supply of?—That would mean their loanable capital?

2095. You have just told me that that means currency?—Yes.

2096. Would not that mean that what they are going to give you is rather scarce?—I do not quite follow that. Do you wish me to say that currency and capital are the same?

2097. I asked you first what they gave you, and you told me currency. I want to get at the foundation of the thing. They would not give you currency except at 13½ per cent. That surely means that they had not very much currency in their till?—I do not follow that.

2098. Do you think if they had had a great deal of currency in their till they would have asked you an equally high rate of interest?—They could do so much business at that rate.

2099. The demand for their currency was so large that, supply and demand meeting, they could get 12½ per cent. from you or somebody else?—Yes.

2100. Is it not bad for the trade of a country, when such a bank has such a demand upon it that it finds it can get 13½ per cent?—Very bad.

2101. You did not have to discount your bills, you said, but if you had, would it not have diminished the profits of your transaction?—Certainly.

2102. You said that the banks of India had brought back their capital. In bringing back their capital did they reduce the currency in the country by one rupee?—No.

2103. So that the currency of the country or the thing that you borrowed, or that you wanted to borrow, was as plentiful after the banks had taken back their capital as it was before?—Yes.

2104. So that the bringing back of the capital of the banks from India did not by one rupee reduce the amount of rupees that there were in India for the use of the country?—Not in the least.

2105. Therefore in what sense has the rupee, the thing you borrow, been interfered with?—It is not in the hands of the people who formerly had it to lend.

2106. I want to know how the banks bringing back their capital reduced by one rupee the quantity of the thing that you wanted to borrow?—They do not reduce the currency.

2107. And the currency is the thing which you want to borrow when you discount your bills?—Just so.

2108. Is the internal trade of India larger or smaller than the external trade?—I think it is larger.

2109. Is this affected by the scarcity of currency or by the rate of exchange?—Not by the rate of exchange.

2110. Only by the currency in the country?—May I ask you to repeat the question?

2111. Is the internal trade affected by the scarcity of currency, or by rate of exchange?—I do not think that people who do trade in the interior of the country know anything about exchange.

2112. Therefore the rate of exchange does not interfere with the bulk of the transactions of the country?—No.

2113. The internal trade, I understand, is much larger than the external, but have you any idea what the proportions are?—I have no idea.

2114. You answered just now that India was rich enough to pay her debts abroad at an exchange of 1*s.* 4*d.* Do you mean to say that she is not rich enough to pay her debt at a lower rate?—My idea about India is that she is such an immensely rich country from the producing point of view, that she could have any currency she likes.

2115. Will you kindly define, if currency is the thing that you wish to borrow, what you mean by currency and capital? I get confused between currency and loanable capital. When you discount a bill you get currency; when the banks took away their capital you say they were not taking away a single rupee, and yet it took away loanable capital. Do you mean to say that the currency of the country has become hoarded in the hands of people who will not lend it?—In the last two years a great deal of the currency has gone out of the centres, Calcutta and Bombay, say, for railway purposes, also for the purposes of the famine, also for the purposes of the war, and these rupees will not for some time find their way back to the great centres of trade.

2116. I understand that is why rupees are scarce at the centres, but you very often use the words "loanable capital" as distinguished from the currency of the country, and I want to know what was in your mind when you used the phrase "loanable capital" as distinguished from "currency," which is the thing you wanted to borrow?—I confess that is rather a difficult thing to define. I cannot define it very well.

(*Sir A. Dent.*) You would use the phrase "floating capital," perhaps. There is not enough money floating.

2117. (*Chairman.*) Supposing the Bank of England finds that there is a drain on its gold currency, what does it do to protect itself against that drain?—It raises the discount rate.

2118. Is not that an answer to the question—that the raising of the rate is protecting the currency?—Not in India.

2119. Will you point out what is the difference between India and England? Perhaps you would like to consider that question more at leisure and answer it when you come again. I understand the Indian money market is different to the English?—Entirely, because suppose we do raise the bank rate in India it does not necessarily attract fresh currency to the country.

(*Sir D. Barbour.*) As regards the Indian money market the material point to remember is this, it is not like the London money market. You have not got great supplies of gold in the provincial towns or in foreign towns close at hand, and therefore the raising of the discount does not bring in an immediate supply as it would in this country. I should like to ask one or two questions later on about this point, with a view to showing how remitting home by the banks reduces the supply of capital and currency too.

(*Mr. Hambro.*) I wanted to get, not at the academic theory of the thing, but at the absolute working of the thing. I wanted this witness to say exactly what he wanted when he went in to the bazaar to borrow. He said he wanted to borrow rupees. Then I wanted to make this clear, that unless a rupee goes out of the country—and I do not think any bank has taken any rupees out of the country—there must be the same number of rupees in the country after the banks have remitted their capital as there was before.

2120. (*Chairman.*) What do you say to that, Mr. Arthur?—I admit that.

2121. You agree with that?—Yes.

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2122. (*Mr. Hambro.*) And you also admit that when you go to the Bank of Bengal, what they ask you 13½ per cent. for is the currency?—I do not think I could admit that. May I be allowed to reply to that question later on.

2123. (*Chairman.*) You would rather like that matter deferred?—I think so.

2124. (*Sir J. Muir.*) Are we quite clear that the Bank of Bengal with 13½ per cent. might have as much currency at its hand as when the rate was 7 or 8 per cent.?—Yes, but not the other banks.

2125. The Bank of Bengal might have as much when it charged 13½ per cent. as when it charged 7 or 8 per cent.?—No. I understood the last question referred to capital.

2126. (*Chairman.*) It is like everything else, it depends on the law of supply and demand. However, perhaps we had better reserve all this until your examination is resumed?—I think I can put the thing right when I come again. I have some tables that I can show the Committee.

2127. (*Mr. Holland.*) You gave us to understand that in the evidence you are giving us you are speaking only for yourself?—I am speaking only for myself.

2128. Perhaps you would not like to say whether or not the views that you express are the views of the majority of the Bengal Chamber of Commerce?—No, I should not like to say that, but I should say that I have a great following in the Bengal Chamber of Commerce. I may mention that the Committee of the Bengal Chamber of Commerce have requested the Government that I should be allowed to give my views before this Committee.

2129. Then I understand that we shall have no one who will authoritatively represent the views of the Bengal Chamber of Commerce.

(*Chairman.*) There is a letter coming from the Bengal Chamber of Commerce stating the reasons why they object to the proposals of the Government of India.

2130. (*Mr. Holland.*) You told us that the re-opening of the mints would inevitably lead to a fall in the rupee to about 11*d.*?—Yes.

2131. And you referred to some disastrous effects that would ensue from that fall, one being that there would have to be an enormous increase of taxation, and that the finance of Government would be embarrassed, and also that there would be serious risk of political trouble in India?—Yes.

2132. But I suppose you would admit that the trade of the country would be affected quite differently—that though in the finance accounts there might be disastrous deficiencies, similar results would not necessarily follow in the case of trade; the results would be different in regard to different trades; some trades would undoubtedly be benefited?—I do not admit that.

2133. You do not admit that any trades would be benefited?—I say that if the rupee goes down to 11*d.* there might be an enormous drop in the gold prices of Indian produce, and in that case the export trade of India must be affected if the rupee goes to 11*d.*

2134. You tell us in regard to the standard that silver in your view is not nearly so suitable a standard as gold. You are aware that some contend that silver is better suited as the standard of a poor debtor country, and that a gold standard is more suitable in the case of a rich creditor country?—Yes.

2135. You say that the unsuitability of silver, in your opinion, is that it varies too much?—Yes.

2136. Are you also aware that some contend that silver prices have not varied so much as gold prices?—I am aware of that.

2137. And if that were established, it would dispose of your contention?—Yes.

2138. You say that a gold standard is better than a silver standard for India, because its trade is done with gold-using countries, but you would admit that the home trade is larger in extent than foreign trade?—Yes.

2139. And that it will be the foreign trade that will be chiefly affected?—Yes.

2140. And that the interests of the home trade, which is much the larger, are not identical with those of the foreign trade?—Perhaps so.

2141. Although these results would be to be feared if the change were suddenly brought about, do you think that if it were brought about gradually the disaster might be avoided?—I think the moment the Government say they are going down to a silver basis you utterly destroy confidence. It is equivalent to going to a silver basis straight away.

2142. I should like to make this clear, that although I am putting these questions it is not that I am expressing my own views but that I think it desirable that the other side of the question should be put. You say that the scarcity of loanable capital is owing to the distrust of those who have money to lend. Does that distrust arise, do you think, from the supposed want of determination on the part of the Government to make the gold standard effective?—I think not.

2143. Then do you think that it arises from the impression that the Government have put their hands to an impossible task?—No.

2144. You have not heard of individuals who have command of large capital who entertain that view?—I have heard people say that they could not understand how the Government are going to accomplish this.

2145. May not that be the ground of their distrust?—Yes, it may be.

2146. That, though the Government may be willing, they may not be strong enough to carry it out?—Yes. I may say that some of the people who have said that are people who have not studied the question very thoroughly.

2147. Do you agree that capital is not attracted so much by a high rate of interest as it is by the prospect of permanent profitable employment?—No, I should say that capital is attracted, if it goes out at all, by the prospect of permanent employment.

2148. You tell us that the wages of labourers in India have practically not been advanced except in the case of skilled labour?—And I should say in the case of domestic servants the wages have gone up in the Presidency towns.

2149. Can you give us an opinion as to what the remuneration of labour has been in silver-using countries—in China for instance, have wages been advanced there?—I cannot say.

2150. You admit that if they have not been actually advanced yet, if they have been paid in silver which has depreciated, the result amounts virtually to a reduction in wages in China, where India is competing with a silver-using country?—Your question is that India would be disadvantaged?

2151. Yes?—I quite agree up to a certain point.

The witness withdrew.

(*For Mr. F. C. Harrison's evidence, see infra Q. 2393 et seqq.*)

FIFTH DAY.

Monday, 13th June 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

The LORD BALFOUR OF BURLEIGH.
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.
Mr. ROBERT CHALMERS, *Secretary*.

The Hon. ALLAN ARTHUR recalled and further examined.

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2152. (*Mr. Holland.*) You told us in your evidence, I think, that you were in favour of the convertibility of the rupee to an unlimited amount?—Yes, so soon as that can be done with safety to the Government of India.

2153. Of course, you have calculated as carefully as you can the cost of a provision of that kind?—I think I said that I should prefer to leave that point to the best expert opinion available.

2154. I presume that, in your opinion, it would be impossible to make the gold standard effective unless it were backed by a gold reserve?—By a gold reserve or by a very strong guarantee.

2155. And do you think also that it must be accompanied by a gold currency?—Not necessarily, I think.

2156. How could you have the rupee convertible if you had no gold currency for it to be exchanged into?—Well, I think there must be a gold reserve.

2157. If it were an inaccessible gold reserve, a reserve not available for the exchange of rupees, would it answer the purpose of making them convertible?—But it would be available.

2158. You say you do not think much gold would be needed for the internal trade of the country if a gold standard were established?—I think not.

2159. But if the rupee were made convertible, would it be possible for you to control the extent to which it would be converted?—I do not quite follow that.

2160. If the rupee were convertible into gold, then every one possessing rupees which he desired to have converted, I suppose, would have it open to him to apply to have his rupees converted?—Certainly, under such a scheme.

2161. Then I ask you how it would be possible for you to control the extent to which rupees would be converted?—I fancy it could not be controlled except in this way. There would be a contraction of the currency, every million sterling that is remitted to England means the contraction of the currency to the extent of 1½ crores of rupees.

2162. So that although you express the opinion that not much gold would be needed, yet you admit that the amount of gold cannot be controlled?—I do not think I admitted that there would not be much gold needed. What I stated was that I thought little gold would be needed for the internal trade of the country.

2163. If the rupee were convertible, do not you think there would be a strong temptation to hoard gold instead of silver, the preference being given naturally to the coin which is intrinsically a valuable one, rather than to the coin which is a mere token coin?—I think there would be a temptation of that sort.

2164. If gold were hoarded to any considerable extent, would not that involve a great strain on the gold reserve?—I suppose it would if there was a demand on the gold reserve.

2165. I suppose your idea of an effective gold standard would be not only that gold should be convertible into rupees, but that rupees should be convertible into gold, and each of them be tender to an unlimited amount?—Yes. Gold is converted into rupees at the present time.

2166. But not *vice versâ*?—Not *vice versâ*.

2167. Would you like to say whether or not you are in favour of the Government proposals as set out in their Despatch?—I should prefer to reserve my opinion.

2168. You are aware that the Bengal Chamber of Commerce, of which you were at one time President, has expressed an opinion against them?—Yes. I have learnt that by telegraph.

2169. You admit that India's greatest interests in point of volume are agricultural?—Yes, they are at present.

2170. Therefore, the welfare of the agriculturalists would be a matter of the highest concern?—Certainly.

2171. Do you deny at all that the agriculturalists are being injured by a dear rupee?—That is a very broad question. I think I have gone into it pretty fully in my previous evidence.

2172. If you do take the view that agriculturalists are not injured——

(*Chairman.*) He has not said that.

2173. (*Mr. Holland.*) If agriculturalists or representatives of the agricultural interest were to come before this Committee and declare that in their opinion they are injured by a dear rupee, do not you think that their opinion as to what affects their own industry would be entitled to very great weight and consideration?

(*Chairman.*) I think that is rather a matter for the opinion of the Committee itself.

(*Mr. Holland.*) You admit that contracted currency shows itself in the fall of rupee prices. I think Sir David Barbour asked a question on that point when you were here before.

(*Sir D. Barbour.*) I asked whether a contraction of the currency could affect exchange in any other way than by lowering prices.

2174. (*Mr. Holland.*) If rupee prices are lower and the fixed charges remain the same as at present, you admit that the position of the ryot would be disadvantaged to that extent. If he gets a lower rupee price for his produce, and yet has to pay the

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same fixed charges as before, of course, his position is worse to that extent?—Naturally.

2175. And being worse, there would be less money left to buy British goods?—I think I pointed out to Sir Charles Crosthwaite that the agriculturalist paid his labour in kind.

2176. But there are charges, rent and taxes—that are not so paid—that will remain fixed, and to that extent the position of the agriculturalist would be made worse, would it not?—It might be made worse; but my point is that gold prices might be higher, and therefore rupee prices might be higher under a fixed rupee.

2177. (*Mr. Campbell*) There were some questions put to you as to the effect of returning capital from India; I should like to pursue that subject a little further. Suppose a merchant in Calcutta buys produce for shipment to London. In the usual course he draws bills against it on his London correspondent, does he not?—Yes, or on a bank.

2178. He draws bills on London?—Yes.

2179. And he sells bills to a bank, which remits them home?—Yes.

2180. The bank would thereby acquire a credit balance in London?—Yes.

2181. Which in due course would have to be returned to it in some shape?—Yes.

2182. Either in Council bills or bullion or otherwise?—Yes.

2183. It has sent, in fact, a portion of its resources to London which, under ordinary circumstances, it will require to be sent back?—It must either be sent back or they must keep it in London.

2184. But if the bank desires to transmit, say, 100,000*l.* worth of its capital home, it would use the bills it bought for that purpose?—It would be done either in that or in some other way.

2185. That would be the most probable way in which it would be done?—I think so.

2186. If it wishes to remit that 100,000*l.* of its capital home, would it allow the amount of the bills it remitted to London to remain there instead of having them returned?—No, it would allow the amount to remain in London.

2187. Would it allow the amount to remain in London instead of having to return it to Calcutta?—Certainly.

2188. The remittance has been really made in produce?—Yes.

2189. It is produce that is at the back of these bills?—If remittances are made in that way, it is produce.

2190. Would the effect be that India had exported 100,000*l.* of produce, for which no return came back?—Well, there would be no fresh currency.

2191. No return at all; so much of the bank's resources are remitted home in that shape?—Yes.

2192. And according to the extent to which it is carried, would it use up or diminish the balance of trade in India's favour?—Yes, it would be equivalent to an import, I think, or rather, it would not have the same effect as an ordinary export.

2193. It would be a cancelling of an export?—The cancelling of an export.

2194. It would be using up an export in that form?—Yes.

2195. Now as to the effect of this on currency. The bank pays a merchant for his bills; the merchant pays a seller for his produce; the seller probably sends the money into the interior, and the quantity of currency in the country is not changed?—That is so.

2196. But does not experience show that the currency needs constant replenishing owing to its being melted down for ornaments, or to its being exported in the shape of coin or in other ways?—I think it is a very broad point as to whether, in days gone by, there was not too much currency put into the country.

2197. I am not speaking of that at all. Of course, the country must require fresh currency at some time?—Oh, yes, I admit that.

2198. And it is on the balance of trade, after providing for Council bills, that India depends for the means of replenishing its currency?—Council bills or in some other way.

2199. Council bills are, of course, not currency; they can be exchanged for currency, but they are not currency themselves?—Certainly not.

2200. So that after providing for currency bills, it is on the balance of trade that India depends for replenishing its currency; that is, the balance of trade would enable her, for instance, to buy silver in the days when the mints were open?—Yes.

2201. When the mints were opened, the silver imported for coinage averaged a large amount every year?—Yes, but I have suggested that it was more than was necessary.

2202. That presumably represented surplus of imports after providing for currency bills; there is so much exports balanced by imports, so much exports balanced by Council bills, and the remainder comes out in bullion?—No doubt.

2203. But if these surplus imports had been used up in the remittance of capital home, the silver could not have been shipped—there would not have been the money to ship it?—That is so.

2204. And the usual replenishment of the currency would not take place?—Quite so.

2205. Now the mints are closed, but you have read the Despatch of the Government of India, and one of the allegations there is that the transfer of capital home has helped to prevent exchange from rising to gold point?—That is so.

2206. If they are correct, the effect of that would also be a starving of the currency?—Yes.

2207. So that the withdrawal of capital from India would have a powerful influence on the currency, although in an indirect way—that is, if it prevents currency from going to India?—Yes.

2208. Then I think you said, in reply to Mr. Hambro, that you did not regard the Bank of Bengal's refusal to discount under 13½ per cent. as indicating scarcity of currency.

(*Mr. Hambro.*) He said he would answer that question later.

2209. (*Mr. Campbell.*) Does the Bank of Bengal regulate its discount rates according to the state of its cash balances?—Yes, I should say so.

2210. In other words, to the amount of currency in its possession?—Yes.

2211. It lowers the rate when its balances increase and raises it as they diminish, and they publish weekly accounts of their balances?—Yes.

2212. Would not the 13½ per cent. rate of discount indicate that the Bank of Bengal itself was short of currency?—I think it would indicate that there was shortage of currency in banking circles.

2213. Does the position of the Presidency Banks afford a fair criterion of abundance or scarcity of money in the large trade centres?—I think so.

2214. And would a diminishing cash balance and a 12 per cent. rate of interest be a fair indication of a scarcity of currency in relation to trade requirements?—I think it would.

2215. During the five years since the mints were closed the Government scheme has not succeeded, has it, in attracting gold to India for currency purposes?—No.

2216. And has the consequence of this been to increase the stringency in the Indian money markets?—Great stringency did not occur until December, 1896.

2217. But for the last two seasons the stringency has been marked?—There has been a very great stringency.

2218. And if existing conditions continue, would you expect the stringency to become more acute as time goes on?—Yes, very much more acute.

(*Sir F. Mowatt.*) You say if existing conditions continue.

2219. (*Mr. Campbell.*) If existing conditions continue—that is to say, if no fresh currency comes in.

I think you said that the stringency was greater in the Presidency towns than in the interior?—Yes.

2220. Do you say that of your own knowledge?—Yes, from what I have been told from reliable sources.

2221. Can you speak as to the conditions of the money market in such up-country centres as Delhi?—Not from very certain information; but I believe that the rate of discount is no higher than it was, or, at all events, not much higher than it was in the old days.

2222. You have not heard of important failures in these up-country districts in consequence of tight money?—I know there have been failures which I have been told are due to tight money, but personally I do not think they were altogether due to tight money.

2223. Then do you attribute the stringency to the fact that no new currency has been created since the mints were closed?—That is so to a certain extent.

2224. Then if this continues, no new currencey being created, would you expect the stringency to extend throughout the whole of the country?—Certainly.

2225. Would this act very prejudicially on the trade of India?—Yes.

2226. A prolonged high rate of interest is a severe tax upon industry, is it not?—Certainly.

2227. And it might seriously interfere with production?—Certainly.

2228. Would you consider it an objection to the scheme of the Government if its tendency was to perpetuate a condition of monetary stringency?—Certainly.

2229. You are aware that the Government contemplate melting down 10 crores of rupees annually for some time and selling them as bullion?—Yes.

2230. Would you, as a Calcutta merchant, regard that step as a safe or a prudent one to take in the present condition of the Indian money market?—That, I think, all depends on the point as to whether currency in India is redundant or not. At the present time, with so many rupees in the up-country centres—on the frontier, for instance—and rupees sent out to make railways, the cash balances—the available rupees in Bombay or Calcutta—are not sufficient for ordinary trade requirements.

2231. Would you say there is no fear of such a step leading to a disastrous crisis?—You mean the contraction of the currency?

2232. I mean the melting down of 10 crores of rupees?—I think that all depends again upon whether the currency has contracted or not. I may say that this is a very difficult question for me to go into, or for anyone to answer, I think.

2233. I think you said the reason why exchange does not rise to gold point is want of confidence in its stability?—That is partly the reason, and another reason is that a merchant at the present time will not sell his bills, because the rate of exchange is very high, and he thinks that by selling now he may do worse than if he sells a little later on.

2234. Do you think the reason may have a great deal to do with the high gold rate which has been fixed upon?—I do not quite follow that.

2235. The 1*s.* 4*d.* rate, for instance. May not the reason be that people consider that that rate is too high?—No, I do not think that. I think there would be the same inclination, whatever rate was fixed, to hold off from selling bills at the top of the market unless under a sound currency system.

2236. But if it were believed that 1*s.* 4*d.* was a rate likely to be supported by natural trade influences, would there be any occasion for want of confidence?—No, I think not.

2237. And does not the want of confidence rather imply that people do not believe that 1*s.* 4*d.* is a rate which would be supported by natural trade influences?—I do not think so.

2238. It is natural trade influences that must support the ratio in the long run?—I think so. Of course, I answer all these questions subject to the opinions that I have given with regard to such considerations as the gold prices of produce. For instance, I say that if the rupee goes down, the gold prices of Indian produce have an inclination to be lower; and at 1*s.* 4*d.* I think the trade of the country will go on just as well as at any other rate.

2239. You said, in reply to the Chairman, that you believed a 1*s.* 4*d.* rate would be maintained, provided the exports were kept up?—Yes.

2240. That is a very important condition, is it not?—Yes, it is.

2241. Does it not imply that if the exports were not kept up, you would doubt the maintenance of a 1*s.* 4*d.* rate?—If exports were not kept up, I think India would be bankrupt—she could not pay her debts.

2242. What is your opinion as to the effect of a high or low exchange on exports and imports, or on the balance of trade?—My idea is that, no matter what the rate of exchange is, the trade of the country will go on—exports and imports will go on when an adjustment has taken place.

2243. Then what is the meaning of your reservation as to the 1*s.* 4*d.* rate, when you said "provided the exports were kept up?" If the trade of the country would go on at any rate, why do you make that reservation?—Well, if exports ceased from India, India could not pay her way at all. I forget exactly what led up to the answer you are quoting.

2244. Do you believe that a high exchange checks exports and stimulates imports?—Yes, that is so until an adjustment takes place.

2245. It does?—Yes.

2246. Then, if a rate checks exports and stimulates imports, it has a very important influence on the trade balance?—It has, yes.

2247. But exports, of course, are not the only factor in the question?—No.

2248. Imports have an equally important bearing?—Quite so.

2249. And if, owing to high exchange or any other cause, imports were increased in an equal degree to exports, would not that modify your view?—At present exports and imports simply balance themselves.

2250. But you say that a high rate checks exports and promotes imports?—Yes.

2251. So that if a high rate of exchange promoted imports, it would alter the balance of trade to that extent?—Quite so.

2252. Now as to the 1*s.* 4*d.* ratio. Of course, you will admit that that is a very important part of the question?—Oh, very.

2253. On which no final decision should be come to without very full consideration?—Well, I think the matter has been already given great consideration, and if the matter were considered again and the rate were reduced, I think the effect on the whole question would be most serious.

2254. But the rate has not been fixed yet at 1*s.* 4*d.* The Government scheme contemplates fixing it at 1*s.* 4*d.*; but when the Act of 1893 was introduced, Sir David Barbour said that the fixing of a ratio was to be left to future experience. So that at the present moment 1*s.* 4*d.* is not fixed as the rate?—Well, I think 1*s.* 4*d.* is fixed in the idea of the public and of the world generally.

2255. Do you consider, because 1*s.* 4*d.* is adopted in the public idea, that that is an adequate reason for taking the final step?—I think it is a very great reason for maintaining the rate at 1*s.* 4*d.*

2256. Would a more weighty consideration be whether experience bears out the idea that 1*s.* 4*d.* is a practical rate?—I do not quite follow that.

2257. Public opinion is one thing. Would not the question whether experience bears out the idea that 1*s.* 4*d.* is advisable, be a more weighty consideration than mere public opinion?—I think it would.

2258. Another important question would be whether the 1*s.* 4*d.* rate would inflict no injury on trade?—I do not think it would inflict injury on trade.

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2259. But you would consider a forced or unnaturally high rate a mischievous thing from the commercial point of view; I do not say that 1*s.* 4*d.* is an unnaturally high rate, but would you consider that a forced or unnaturally high rate would be mischievous?—I think it would be, yes.

2260. In what way? In the checking of production—lowering prices, for instance, and checking production?—That is one reason.

2261. And if production were checked, it might interfere with India's ability to pay her foreign indebtedness?—That all goes back to what I put to you before—whether I am right or not I do not know—and that is the question of the gold prices of Indian produce.

2262. You are aware of the course of exchange in the last five years?—Yes.

2263. Exchange has never approached 1*s.* 4*d.* when Government were selling their full 17 millions of Council Bills?—It has at present.

2264. But last year they only sold about 9 millions?—Yes.

2265. In the only two years when they sold their full quota, exchange was very much below 1*s.* 4*d.*?—That is so.

2266. Then, to be a success, the Government's currency scheme should not only enable Government to sell its full 17 millions of Council bills, but should also ensure sufficient gold coming into the country as currency to satisfy the country's requirements?—Yes.

2267. As you have said already, practically no gold has been paid to the Government for currency purposes for the last five years?—I believe there has been about 170,000*l.*

2268. That is not much?—No.

2269. Is it within your knowledge that the price of gold in the market has always been higher than 15 rupees to the sovereign?—I believe it is, very slightly.

2270. It is very slightly now, but it has been very considerably above it?—I cannot say to my own certain knowledge. I do not deal in gold, and I cannot answer that.

2271. Are you aware that last year India imported Rx. 4,900,000 of gold, all of which was sold at a higher price in India than 15 rupees to the sovereign?—I am not aware of the amount, but I know there was a large amount. That I attribute partly to the Council Bills being stopped. That is a very important point.

2272. You do not attribute it in any sense to the rise of exchange?—It may have something to do with the rise of exchange.

2273. The rise of exchange, of course, meant that gold could be sold out there cheaper?—Yes.

2274. So that there is an instance where a rise of exchange has had a decided effect in stimulating imports?—Yes.

2275. Then the Government would have to borrow largely to enable them to acquire gold in order to give a sovereign for 15 rupees as well as to give 15 rupees for the sovereign?—That is so.

2276. Considering that the price of gold has never fallen to 15 rupees to the sovereign all these five years, do you think it absolutely certain that Government would retain the gold when they put themselves in that position?—That is a point that I have taken up before, namely, that, if a very great quantity of gold was tendered for conversion, the amount of currency in the country would be diminished, that is to say, for every million sterling remitted a crore and a half of rupees must come out of circulation.

2277. But the only way of withdrawing it would not be to remit it; it might be withdrawn for hoarding, would there be no danger of that?—But so much of the rupee currency comes out of circulation.

2278. Of course, the failure to carry out the scheme would be a serious calamity, would it not?—Oh, terrible, most serious.

2279. And is the risk of failure in your opinion so small that Government would be justified in adding largely to the sterling debt in order to carry out the experiment?—I think my answer to that must be as I stated in the Viceroy's Council on the 21st January, namely, that a fall in exchange implies just as great a liability to the Government as a demand on the conversion fund.

2280. The debt, of course, would remain, whether the experiment succeeded or not?—Yes.

2281. (*Mr. Le Marchant.*) Are there not periods when for the financing of crops, or any other purpose, large movements of currency from the centres take place?—Yes, there are.

2282. The jute crop, and so on?—Yes; for instance, in the months of August and September there is a very great deal of money required to be remitted from Calcutta to Eastern Bengal for the financing of the jute crop. Later on in the season, the Bank of Bengal sends down a great deal of money to Burma for the financing of the rice crop.

2283. Have you any idea what that comes to?—For the jute crop, I think it is 7 to 10 crores of rupees, according to the extent of the crop.

2284. Of those 7 crores of rupees sent out from the capital, have you any idea how much never returns?—I have been told, on the authority I think of the Bank of Bengal, that about 2 crores remain in Eastern Bengal.

2285. So that you would think that the currency in the capital, or the currency at the centres, would be reduced by about 2 crores every year, besides the reduction that might take place by loss and wear—it would be reduced by 2 crores being retained by the jute people who are interested in growing jute?—That is what is said in Calcutta.

2286. Is there any similar reduction for the rice season?—I think, in the case of rice, a great deal of the money that is sent to Burmah comes back again.

2287. So that the total reduction would be only 2 crores from the centres?—I should not say that. It might be more than that, but that is for jute.

2288. I mean, the jute reduction would be about 2 crores?—Yes, I may say the people in Eastern Bengal are probably the most prosperous in the whole of India.

2289. I think you answered Mr. Campbell that, unless the bank who had brought its bills to London bought a Council draft on Calcutta, there would be that much more capital, if you like to call it so, left in London; but the bank, buying a bill on Calcutta, would not increase the currency in Calcutta, would it?—The operation suggested by Mr. Campbell would not increase the currency in Calcutta, it would have no effect on the currency in Calcutta; there would be no difference in the currency of India.

2290. The only way of increasing currency in India would be for the bank to send back something that could be turned into currency—that is to say, at the present moment, gold?—Or Council bills?

2291. The Council bills do not increase the currency of India. They take it from the Government's hands, but they do not increase the currency of India?—That is so.

2292. The only thing that would increase the currency, as we now stand, is to send gold, which could be converted into rupees at 15 rupees to the £?—I am not quite sure about that point; perhaps you might refer to Mr. O'Conor on that matter. I think if gold is tendered now, rupees will be released from the currency reserves, not fresh rupees coined.

2293. Now I would like to ask you one more commercial question, and that is about shipping. I suppose there are sometimes too many ships and sometimes too few ships, and then freights rise or fall according to the number of ships and the amouut of freight offering?—Certainly.

2294. It has been stated here that the shipowners are strong enough to raise their rate as the rupee falls, so that the advantage should not get to the grower. Is that your experience?—I am glad to think that they are not.

2295. You do not think that there is any combination amongst the shippers strong enough to act against supply and demand?—There is a combination amongst the shippers as regards freights between Calcutta and London.

2296. But they cannot maintain the rate themselves?—Certainly not.

2297. The rates are fixed by shipment, and not by the value of the rupee?—Certainly.

2298. You were asked whether, in your opinion, internal trade would require much gold (I am merely recapitulating), and you said "No"?—That is so.

2299. Were you there distinguishing between the gold actually wanted for circulation for internal trade purposes and what the Government of India term the marginal supply, that is to say, the excess above the minimum that would be required in active times, and not in slack times?—Yes.

2300. Would you explain what you mean by the circulation for internal trade?—I think for internal trade anything like a sovereign is too high a unit. A sovereign for internal trade would not be required to any great extent, if at all.

2301. On that point, would not the sending out of capital, as suggested to you, exactly reverse the effect that the withdrawal of capital recently has produced?—Quite so.

2302. Without going into the precise details of the way in which it does so, that would be, we may take it, the actual effect?—Yes.

2303. If, therefore, any currency plan conciliates confidence, and causes capital to be sent out, so far as that influence goes it would tend to maintain exchange?—Certainly.

2304. With regard to the effect on currency, do the high rates following on the withdrawal of capital occur although the volume of currency remains untouched?—The high rate of interest?

2305. The high rate of interest. That is to say, has the volume of currency been affected by the withdrawal of capital?—Not the total volume of currency in India.

2306. In the whole country?—No.

2307. But the distribution of it has been affected?—Yes.

2308. It has passed into hands that do not use it in the same way as it was used when it was in the hands of the banks?—Yes. It probably passed into the hands of people whose business it would not be to lend money.

2309. (*Sir. D. Barbour.*) And it remained there?—Oh, no. I fancy it would get back in time to the centres, but not to the banks, who have been remitting to England their loanable capital.

2310. (*Mr. Le Marchant.*) Under the existing notification, so far as I know, it is quite open to the public, if they have confidence, to send their gold and have an actual addition made to the existing currency. I am not asking if that is the only way, but I am asking how the community at present get the currency they want and can demand?—It would come out of the currency reserves, I think.

(*Chairman.*) I thought Sir David Barbour had cleared that up last time. Any person presenting a sovereign is entitled, of course, to 15 rupees for it; then I understood Sir David Barbour to say that the Indian Government could, if they chose, coin more coinage as against that gold.

(*Sir D. Barbour.*) My impression is that the Government can coin against that gold or without that gold—in any way it pleases.

(*Chairman.*) I want to be clear on that point. Of course, we are all agreed that if they intended to manipulate the currency simply for the purpose of paying their debts, that would be a dishonest proposal; but if a man presents gold in the way prescribed by notice, the Government can either coin to the extent of that gold in addition to the currency, or it can bring so much of the existing currency, which is now in the Treasuries, into circulation.

(*Sir D. Barbour.*) The intention was that, if gold were presented under this arrangement, the silver rupees should be provided out of the balance in the Treasury, and not by buying silver in England and coining it into rupees.

(*Chairman:*) But, if necessary, it could be done.

(*Sir D. Barbour.*) It could be done.

(*Mr. Campbell.*) That is, the gold would be used to purchase silver for coins.

(*Sir D. Barbour*). No. If 16*d.* in gold was offered to the Treasury, that would be put into the Treasury, and a rupee would be given out of it; nothing more.

(*Mr. Campbell.*) But if the rupee coinage was getting scarce, then they might use that gold to purchase silver.

(*Sir D. Barbour.*) They might coin more, just as in this country, if shillings were getting scarce, they could buy more silver and coin more shillings.

(*Mr. Campbell.*) Would not the natural course be to use the gold they had to buy silver?

(*Sir D. Barbour.*) Or the Secretary of State might draw an extra half million.

2311. (*Mr. Le Marchant.*) So far as the public are concerned, would they view their power of claiming additional currency as dependent on their importing gold at present?—I think so.

2312. And in that respect, would it be parallel to the case of this country where, by importing gold, fresh currency is made available for the public. I will put it in this way. Do you consider the high rate of discount here is an inducement to gold to flow in?—It is an inducement to gold to flow in or it stops the flow of gold out. But that is not the case in India. The high rate of interest in India will not attract fresh capital to India, or stop capital leaving India.

2313. Owing to some circumstances?—Owing to the want of confidence in the standard.

2314. But I am talking of the principle. A high rate of discount here is regarded, as you say, as either stopping the outflow or reducing the inflow of gold?—Yes.

2315. And to the extent to which it does that, does it place more currency at the disposal of the banks?—I should think it had that effect.

2316. And more money and credit generally?—I think so, that is to say, if there is an influx of gold, I think that is the effect.

2317. You would view then the influx of gold into England as acting, in result, in the same way if they take place—of course, there are differences of detail?—Yes. Under an effective gold standard in India, I should consider them the same.

2318. And it would give an opportunity of expanding the currency in India if the influx did take place?—Yes, that is under an effective gold standard.

2319. With regard to exchange and exports, I think you said it was a question of prices, partly sterling prices, whether exports came out?—I think so. For instance, the recent high prices of wheat in Europe have led to a very large export of wheat from India, notwithstanding the fact that last year was a famine year. There has been an enormous export of wheat from India.

2320. So far as that went, would that in itself tend to raise exchange?—Yes, it would. Whenever wheat has gone from India, the rate of exchange has generally gone up considerably.

2321. The price of wheat then would affect the exchange?—Yes. I may say, when I talk about large shipments of wheat putting up the rate of exchange, that that was in the old days, when the mints were open. It would not be so now.

2322. But to that extent, up to 1*s.* 4*d.*, the increased demand for sterling abroad would strengthen the rate?—Yes.

2323. To that extent the exchange would follow exports?—Yes.

2324. When you said that a low exchange might stimulate exports, did you mean what I might call a

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permanent level of low exchange, or a falling exchange ?—I meant a falling exchange.

2325. Would you explain briefly how you put that ?—Suppose, with the rate of exchange at 1*s.* 4*d.*, I can afford to sell wheat at 41*s.* a quarter, but the London price is only 40*s.* A drop in exchange to, say, 1*s.* 3½*d.*, would enable me to sell at 40*s.* In this way a falling exchange enables business to be put through.

2326. What form does that competition usually take as rates of exchange fall ? Would it take the form of lowering the sterling price or raising the rupee ? Can you give us any information as to that from your own experience ?—I should say that whenever an export merchant saw the rate of exchange going down, he at once dropped his selling gold price.

2327. So as to effect a sale ?—So as to effect a sale.

2328. After the transactions, had the prices at each side a tendency to adjust themselves ? You say sterling prices fell. Would the result of that be that, taking the sterling price so arrived at and the exchange, an adjustment had been reached, so that it would cease to be profitable to export at that exchange ?—I think that would be the effect. Probably the next business that was done would be done at a lower gold price, which I think would have the effect of lowering the rupee price of produce in India.

2329. There would be a succession of falls ?—A succession of falls.

2330. With regard to any experience you may have in the past as to circumstances bearing on a particular rate of exchange, for instance, 1*s.* 4*d.*, 1*s.* 3*d.*, or 1*s.* 2*d.*, or whatever you may have observed, would you consider that there was a considerable variety of conditions that tended to determine the rate of exchange at any one moment ? Would there be many influences or many factors all contributing to fix the rate at any moment ?—I think so. For instance, if there was a very large business in exports (I am talking of the time before the mints were closed), the inclination would be for the rate of exchange to rise. If there was a very large business in imports, the tendency would be for the rate of exchange to decline.

2331. How far do you think it would be possible to argue from the past as to the future ?—What I say is, arguing from past experience, the probability is that the drop in the gold prices of Indian produce with a very low rupee would be very great. I have gone into that point, I think, already.

2332. A material condition bearing on exchange has been the want of confidence ?—I think a very material consideration.

2333. Have there been any decided expressions, within your knowledge, of native feeling on the present policy ?—So far as the native press is concerned, I do not think there has been any feeling at all. When the native press in India has a grievance everybody hears about it; but with regard to this question I do not think I have seen a single native paper take it up and complain about it, except that one of them quoted an article from an English newspaper in Calcutta, called the "Indian Daily News." The "Indian Daily News" wrote a very rabid article about the question, saying that the natives had a very great grievance and would probably rise, or words to that effect; certainly it was an article which, as an Englishman, I did not like.

2334. (*Sir F. Mowatt.*) The ground that I wanted to take you over has been to a very large extent covered by the questions that have been asked you this morning; but there is one single point on which I should like to ask you a few questions. You have said that for the proposal you have advocated there should be an absolute convertibility of the rupee ?—That is what I should like to have, provided it could safely be done.

2335. And you admit that would require either a reserve fund or a conversion fund, or whatever you may call it ?—Yes.

2336. And it is desirable that that fund should be as small as possible ?—I think so. So that India should do as little as possible to assist in appreciating gold.

2337. And you thought that fund would be all the smaller if it had the guarantee of the Government behind it ?—Yes.

2338. And that is your object in recommending a guarantee ?—Yes.

2339. The object of that conversion fund would be to meet a desire to have gold for silver. Where silver was for any reason brought to be changed into gold, the gold would be there ?—Yes, that is to say, where the balance of trade was against India, the gold reserve would come in.

2340. I think I understood you, that in the slack seasons the demand for gold would be greater ?—The demand in India for gold, yes.

2341. And in busy seasons somewhat less ?—Much less.

2342. Would you say that this periodical variation would enable speculators to demand gold and silver alternately from the Government, and so always to make a profit out of the Government; or would you consider the Government sufficiently safeguarded by fixing limits within which they would give gold for silver ?—I think Government should fix rates under which they might make a profit for themselves.

2343. You would not say, therefore, that that conversion would tempt the speculators to raid the conversion fund ?—I think if the conversion fund was made very small, unless there was a strong guarantee backing it, a ring of speculators might possibly try to get behind it.

2344. I understand the silver currency is about 120 crores, or, roughly, 80 millions sterling ?—Yes.

2345. Any draft on the gold reserve would necessarily be accompanied by an equivalent withdrawal of rupees from circulation ?—Certainly.

2346. Then the utmost demand that could be made would be to the extent of that 80 millions sterling ?—Unless rupees came out of hoards; if rupees came out of hoards, there might be a greater demand. I understand Mr. Harrison's estimate of the circulation is that it is 120 crores, without including the rupees hoarded.

2347. As the rupee became scarcer, it would become so necessary for the purposes of trade as to find its way back out of hoards into circulation ?—Certainly.

2348. Then the interest on the 80 millions at 2½ per cent. would be about 2 millions a year ?—Yes.

2349. That, therefore, is the utmost total fine that India would have to pay for convertibility—two millions sterling a year ?—Two millions additional taxation might have to be imposed on India—quite so.

2350. I understood from you that the price India would have to pay in the way of increased taxation, if the mints were re-opened, would be about 11 or 12 crores ?—11 or 12 crores as a minimum taxation.

2351. That would practically be between seven and eight millions ?—Between seven and eight millions. I say minimum taxation, because I hold that if the mints were opened the maximum rate of the rupee would be 11*d.*

2352. While the increase in the one case would be two millions, the taxation in the other case would be about seven millions ?—Yes.

2353. Therefore, putting all other considerations out of the question, it would be a very much better bargain for India if she sank the whole of her 80 millions, providing she obtained convertibility ?—I should think so.

2354. (*Sir D. Barbour.*) In your former examination we came to the conclusion that capital went out to India, or might go out to India, for two purposes—either for banking purposes, the buying and selling of bills, or for investment in industrial undertakings such as tea gardens, jute mills, cotton mills, or railways ?—Certainly.

2355. Has less capital been going into tea gardens in the last five years than formerly ?—No, I think

rather more capital has gone into tea gardens in the last five years than formerly.

2356. Notwithstanding the uncertainty as to the exchange?—I should think more. I cannot answer the question exactly.

2357. And with regard to jute mills, what do you say?—There has been a great deal of money put into jute mills. Of course, the trade has been very prosperous.

2358. Have you any information about cotton mills?—I think, so far as English capital is concerned, that is capital remitted from England to India, there has been very little.

2359. Was there much capital put into cotton mills before 1893?—I do not think English capital has gone to India for the purpose of building cotton mills to any very great extent. There is more native capital in the Bombay mills.

2360. There has been a great deal of capital put into railways in the last few years?—Yes.

2361. Much more than usual?—Much more than usual.

2362. So that in point of fact the amount of capital that has been put into industrial enterprises in India in the last five years has been very considerable?—very considerable.

2363. You know that some of the owners of tea gardens say that a fall in exchange is the best thing for them that could happen?—I know they say that.

2364. So that the fear of a fall in exchange would not prevent them from putting their money into tea gardens?—I suppose they look at it in this way, that if they made 10 per cent. on their money they would put so much of that 10 per cent. into a sinking fund.

2365. You know that the tea producers, as a rule, would like to see a fall in exchange?—Oh, yes.

2366. Therefore, the fear of a fall in exchange would not prevent their putting money into the tea industry?—Just so.

2367. In point of fact, they have done so?—Yes.

2368. Now, a high rate of discount in Calcutta and in the Presidency towns of India began in December 1896, and has continued pretty steadily since?—Yes. Except between June and October of last year, when there was a temporary decline.

2369. The figures are here; but roughly, with the exception of the temporary interruption, the rate has been high?—Yes.

2370. The supply of loanable capital in Calcutta and Bombay is affected by borrowing by the Government?—Yes.

2371. The more the Government borrows the more is taken out of the market?—Yes.

2372. I have the figures here. For the years 1894–95 and 1895–96 the Government did not borrow at all in India?—That is so.

2373. In fact, in 1894–95 I find that they paid off Rx. 1,172,338?—Yes.

2374. That would be an actual addition to the capital available in India?—Yes.

2375. Then in 1896–97 they borrowed Rx. 5,326,125; but two millions of that came out of the currency reserve?—Yes.

2376. That two millions did not withdraw anything from the capital available in the country?—No.

2377. Then in 1897–98 they borrowed Rx. 2,570,500?—Yes.

2378. And for this year the estimate is Rx. 2,675,000?—Yes, which, in my opinion, they will not get.

2379. There has also been a certain amount of money raised for railways in India and paid to the Government. In 1895–96 the amount was Rx. 163,800; in 1896–97 the amount was Rx. 328,200; in 1897–98 it was Rx. 704,800; and in 1898–99 it is estimated at Rx. 1,440,000?—Yes.

2380. That withdrawal of capital would more or less—I do not say account for all the tightness of the money market—but it would tend to make what is called banking money scarcer in India?—Yes.

2381. (*Mr. Hambro.*) When the Government borrows, is it not for the purpose of paying it out again to pay its debt? It does not hoard it, does it?—No.

2382. It pays the money out at once?—It pays it out as it requires to do so.

(*Mr. Hambro.*) Then that would not affect the money market.

(*Chairman.*) It borrows it for new works.

(*Mr. Hambro.*) But it pays it out at once.

2383. (*Sir D. Barbour.*) If it were the case that borrowing money and paying it out for works did not affect the money market, then I suppose you could borrow an indefinite amount of money, provided you only paid it out for new works immediately?—Quite so.

2384. On that hypothesis, you might borrow 100,000,000*l.*, provided only you paid it out at once?—Quite so.

2385. As a matter of fact, do you think it would be possible to borrow 100,000,000*l.* of capital in India?—No.

2386. Whether you paid it out at once or hoarded it?—I think not. You mean all at one time?

2387. Or even in the course of, say, two or three years?—Over a certain number of years it would be possible.

2388. Of course, if you spread it over a hundred years it would be possible; but do you think you could raise 20,000,000*l.* sterling or 20 crores of rupees in one year?—I do not think you could; you could borrow very little at the present time.

2389. Or at any other time?—I think not.

2390. Then in 1897–98 the Government did not borrow as much as it intended to borrow?—No. I think they intended to borrow Rx. 4,000,000, and they only borrowed Rx. 3,000,000.

2391. At all events, because of the scarcity of capital, the Government reduced the amount they intended to borrow from about Rx. 4,000,000 to Rx. 3,000,000?—Yes

2392. The scarcity of money in India began immediately after the Government began to borrow largely in 1896–97. They borrowed about July or August, and the scarcity began in December of the same year?—Yes.

The witness withdrew.

Mr. Francis Capel Harrison called and examined (*7th June* 1898).

2393. (*Chairman.*) I understand you hold the office of Accountant General of Madras?—Yes.

2394. How long have you held that office?—About three years.

2395. We understand that you have made a special study of the volume and composition of the coin which is circulating in India?—Yes.

2396. What are the facts and statistics on which your investigation has been founded?—Since 1876 the Government of India have examined 2,000 rupees at every treasury in India, and split it up into the various years in which the coins were coined. They have done this every May—for the last 22 years—since 1876. The idea, I believe, was to accumulate data for determining the circulation by Jevons' method. Jevons attempted to determine the circulation of sovereigns in England by a process similar in its inception to that used by me. Instead of making a single examination as he did, we have made one every year. In France there have been similar examinations under the direction of M. De Foville on behalf of the Government. We have found that each mintage makes a contribution to the circulation proportionate to its volume. For example, a coinage of

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10 crores might appear three years after its issue as 10 per cent. of the circulation, and suppose the next year the coinage was nine crores, three years afterwards the circulation of this issue might be, say 9 per cent. Thus we find the contribution of each mintage to the circulation varies steadily according to the quantity minted.

2397. You have statistics of the number of coins coined for a much greater number of years than the years of your investigation?—Yes, since 1876.

2398. But you must find some coins which were coined before 1876?—Quite so. I misunderstood your question. Our examinations date from 1876, but our statistics of coinage are complete from 1835, the year we commenced to coin our present rupee. In every 2,000 rupees we examined, we found a considerable proportion belonging to the earlier years.

2399. But for each of the earlier years, you know the number of coins which were issued from all the mints available?—Precisely; we know the exact number.

2400. How far back do you find the coins circulating?—We commenced coining and circulating our present rupee in 1835. We coined the same rupee from 1835 to 1840. Though we coined it for those years, we dated it 1835. From 1840 to about 1852, we coined another rupee with the date of 1840. From 1852 to 1860, we coined another rupee with the date of 1840, but slightly larger, so that we can identify it. From 1862 to 1873, we coined another rupee, dated 1862. After 1873, we date our coins the year of their issue.

2401. In other words, your coins are identified by the date of issue, just as coins minted in this country are identified by the device and the particular design of the coin. Your one date lasts for years like our device?—Up to 1873.

2402. Are you able to say how many actual coins have been examined by you?—Yes. We have examined about a quarter of a million rupees every year.

2403. For 20 years?—For 20 years.

2404. And the accuracy of the results which you have to put before us depends, of course, upon these quarter of a million rupees each year fairly representing the average of what is in existence?—Quite so; and as our revenue is a very large part of the transactions of the country, and as our treasuries are situated in very representative spots, for the sake of our own convenience in the collection of the revenue, I think that the coins we have examined may be taken quite to represent the coinage that is in circulation at the time.

2405. Have you any doubt, from the experience that you have had, that the results that you have arrived at are reliable representative results?—I have not the smallest doubt about it.

2406. Now I think it would be desirable if you tell us what results you have actually reached as regards the total volume of metallic currency. Take, for instance, the 10 years 1876 to 1886?—I should put it rather in this way. I think the circulation might be put at about 115 crores in 1886, and that it had been constant (roughly speaking) at about this figure for some years previously.

2407. How have you arrived at that result?—I am afraid it is rather difficult to explain the method adopted. Suppose the mintage in, say, 1882, was 10 crores of rupees. Under our system that 10 crores of rupees passes entirely into the possession of Government originally. That happens in this way. When an importer of silver in the days prior to the closure of the mints came to Government, the Government gave him a mint certificate for the value of the silver he brought, for which he could obtain notes or current rupees, but Government took over the actual silver he tendered. The result is that all new rupees first pass into the possession of the Government, so that the Government know where they are; thence they pass into the currency reserve, and from there the public take them out by cash or notes. So that we can tell pretty well where the 10 crores of silver is immediately after it is coined. Now let us suppose that 10 crores were coined in 1882—I do not mean that that was the fact, but I am taking this as an illustration—we would find that it would take about two or three years for the coins to merge completely in the circulation. According to this hypothesis, the 1882 coinage would have passed into the general circulation by 1886. Let us suppose at our census of the circulation in 1886 we find the 1882 rupee forms 10 per cent. of the coins examined, we then know the total circulation.

2408. Four years afterwards, you assume that the 1882 rupee is 10 per cent. of the circulation?—Yes; then on this supposition we can calculate the circulation.

2409. Provided there is no fallacy in your statistics from the fact that the coinage you collect came from a place in which there would be a larger proportion than would be natural of the 10 crores coined in 1882?—Exactly, and as we examined so many samples I think we may take it that we do get a representative result. In this way we get at any rate a maximum figure. Assuming that that 10 crores has passed into the circulation, the maximum circulation would be 100 crores. Then one has to make certain deductions. We know, of course, for instance, that between 1882 and 1886, the coinage of 1882 must have suffered some loss by export or by melting, and that loss has to be measured upon just that amount of the coinage of 1882 that did pass into circulation. This we can arrive at roughly by the previous censuses. For example, of the 10 crores coined in 1882, we may find that they formed 3 per cent. of the circulation in 1883, 5 per cent. in 1884, 7 per cent. in 1885, and so on until it reaches its maximum of 10 per cent. in 1886. It would be a long and intricate business to explain how I arrive at the rate of loss suffered by the 1882 coinage as it passes into the circulation. That rate, however, would be taken on the quantities actually present in these years 1883, 1884, and 1885.

2410. From that, how do you get at your total of 115 crores in circulation in 1886?—What I have just been giving is a hypothetical example, explaining my method very roughly. In point of fact, the coinage of 1882 was 7·14 crores. I took round and fanciful figures to simplify the reasoning. In point of fact, arguing on the coinage of 1882, I arrive at 115 crores. Arguing on the coinages of other years immediately preceding, I arrive at about the same result.

2411. So that the 115 crores which you give as the amount of rupees in circulation, is not cumulative in what you find each year, but it is the result of the average of each year taken separately?—It is the result of independent estimates of a very large number of years, taking into account the loss.

2412. Then in the year 1888–89 had you a special examination in that year?—We have examined up to 1898. If I am correct in saying that the circulation is 115 crores in 1886, and I find that that is the estimate which I arrived at by taking many averages, then it follows that the circulation is constant, and if I know the coinage of the few years preceding I can then calculate the loss. For example, I know that the coinage from 1875 to 1886 averaged about 6¼ crores. If the circulation was constant, it follows that the loss was 6¼ crores.

2413. At any rate, you put it to this extent, and you do not ask us to go further, that in all the calculations you have made from 1876 to the present time the best estimate you could give is that the circulation of rupees was 115 crores?—In 1886.

2414. Do the results got in 1888–89 confirm that? Yes, but I think they give a rather higher figure, and that figure is corroborated by the fact that the coinage was greater. The average coinage was 6¼ crores shortly before 1886. I find from 1886 to 1888 it was nearly 8 crores. That would account for a probable rise of the circulation to about 120 crores. Then from 1889 to 1892 the coinage was 9½ crores yearly, and the

coinage in 1893 was nearly 8 crores. Arguing on those figures, and on the results obtained from the later censuses, I think it is probable that the circulation grew to about 128 crores in 1893.

2415. When you talk of what is circulating you include all the rupees wherever they may be?—Not those hoarded or exported.

2416. Have you been able since the closing of the mints, in any way further to test your conjectures?—Yes; for instance by the William IV. rupee. We have begun to recall the William IV. rupee. That is the rupee coined between 1835 and 1840.

2417. The first you mentioned?—Yes.

2418. What has happened with regard to that rupee?—I find that the William IV. rupee in 1892 formed 1·69 of the circulation. I will not read out the whole table, but the percentage dropped in 1896 to 1·2, and in 1897 to ·7 as far as I can make it. We know the amount we have recovered of the William IV. rupees. If we have a drop from 1·2 to ·7, and we know that that drop is represented by 86½ lakhs, we can then calculate the circulation.

2419. When did you begin to withdraw the William IV. rupee?—In February 1896, I think it was.

2420. And how many have you actually withdrawn?—The amount recalled from February 1886 to May 1897 was 86½ lakhs.

2421. What proportion does that bear to what was known to be coined of that particular rupee?—It is about one-nineteenth.

2422. Then you have withdrawn about half?—No, we have only recovered out of 16½ crores 86½ lakhs.

2423. Then since you began to recall these rupees have you tested the number that you get in the same way that you did before?—The examination is continuous. Take this argument. If a reduction from 1·2 to ·7 is equivalent to 86½ lakhs, we then arrive at the total circulation.

2424. Do the figures confirm that generally?—Yes, the result works out at 105½ crores. For reasons which it would take too long to detail, I would raise this figure to 120 crores, representing a loss since 1893 of 8 crores in the circulation.

2425. (*Sir J. Muir.*) May I inquire if the 1835 rupee is still recognised as current coin?—Oh, yes, we receive it, but we do not re-issue it.

2426. So that it may not be totally withdrawn for a long time to come?—If the circulation is fairly rapid, as I believe it to be, it will not take long; we eliminate it as the coins come in to us.

2427. (*Chairman.*) Have you anything more to say as to the light which these researches throw upon the practice of melting down rupees?—I think my researches show that the loss of our coinage is very much more largely due to melting than to hoarding and to exporting.

2428. Why do you say that?—One reason is we have recovered so very little.

2429. Your inference being that the William IV. rupees have been largely melted down to get the use of the silver which they contain?—Yes; and then again we find in point of fact that the total import of silver into India practically passed through our mints or through the native mints, and, therefore, every bit of silver that is used industrially has practically come first to be minted.

2430. Has been a rupee at some period of its existence?—Exactly.

2431. Obviously that could only be prior to 1893?—Yes; but I believe that since 1893 the rupee is still melted, though it is worth about 20 per cent. less when melted.

2432. It would be obviously, since 1893, a bad piece of business to take rupees if you wanted to make silver ornaments?—It would be in the large centres; but amongst the hill tribes and so on—places where a native goldsmith cannot easily acquire, or has not the capital to sink in keeping a stock of, bar silver—I think it is probably the case that a considerable number of rupees are melted to this day.

2433. It is a convenient way of getting and keeping silver, and the traditional practice holds its sway?—Yes, otherwise the goldsmith would have to keep rupees. The practice in the old days was for the native who wanted to put his rupees into ornaments to summon the goldsmith or silversmith, who sat on the verandah outside the house while he melted the rupees and made them into ornaments. The artisan was not trusted.

2434. Can you give us any information as to the hoarding of coin either before 1893 or now?—Sooner or later hoarded coin come to our mints to be re-coined into our rupees. That is the best way for a man to get rid of a large quantity. In point of fact, we have the figures of the Calcutta mint since 1835 showing the old rupees which have been tendered for re-coinage.

2435. If a man has a number of rupees and no payments to make he would bring his silver to the mints to be coined?—That is not quite what I mean. We only began our present issue in 1835, but what was called the Farrakhabad rupee circulated until about 1852; whilst the Sicca rupee circulated down to 1838 or 1839. Then there are all the rupees of the native states. To a large extent old hoards would consist of Sicca and Farrakhabad rupees, and in native states they would very largely consist of their own rupee. We do not find that the number of Sicca and Farrakhabad and native state rupees tendered to our mints is so very large. From 1800 to 1835 we coined about 115 crores gross, and probably net about 77 crores. Of that 77 crores only 30 crores has actually found its way, as far as we can see, into our mints. That would mean that the great proportion of the coin has been melted and has not been hoarded at all. That 30 crores, of course, includes the rupees which were circulating in 1835, and shortly afterwards. I estimate the circulation in 1835 at about 38 crores. Obviously the greater amount of the 30 crores we recovered was from those circulating.

2436. Were any facts brought to your notice in 1896 which led you to think that there was a contraction or a scarcity in that year?—I think so. The census figures show this. I find from 1853, when we stop coining, that the proportion of the older coinages rose slightly to about 1895-96, and from that point I think they are going back again—they are falling. That is to say, when we close the mints, hoarded rupees probably come out to some extent, and now that has ceased. I put in a table to show this. (*The witness handed in the table printed after Q.* 2482.)

2437. That might be the temptation from the rise of value?—Yes, that may be. The earlier rupees came out from hoards, when we stopped from minting.

2438. I understand you wish to confine your evidence to such matters as I have dealt with, namely, to your own researches into the question of the rupee circulation?—I fancy that the Committee at this stage would prefer that I should do so.

2439. You do not wish to-day to go into any of the the proposals which you may desire to put before the Committee? No.

2440. (*Sir Francis Mowatt.*) I do not know whether you are prepared to give us any information as to whether the ornaments of the poor have been sold since 1893 in large quantities; have you any information on that point?—No, I have no information on that point, I do not see why they should be except in time of famine.

2441. Then you have no means of knowing?—No, no means at all.

2442. (*Sir J. Muir.*) What is the object of calling in these rupees from time to time?—The 1835 rupee?

2443. Yes?—It is getting under weight, it is merely purifying the coinage.

2444. Have you any information to give us as to the wages in the country districts, in the Madras Presidency, say. We have had from Sir James Mackay and others information as to wages in Bengal?

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—I should think the wages of the unskilled labourer, the coolie, have changed very little.

2445. (*Sir D. Barbour.*) What figure did you give for 1893?—I put the maximum at 128 crores, I think.

2446. Have you got the other figures?—I should be inclined to put it at about 120 crores now.

2447. Can you say that you put such reliance on your figures as to be certain that there has been a reduction since 1893?—No, I should say there is the probability.

2448. A strong probability you would say?—Oh, yes; I should think so. The result according to the figures would come to even less.

2449. There are a number of rupees hoarded, and I suppose on the border line between hoarding and active circulation there are a number of rupees in a doubtful state?—I rather include the doubtful state rupees.

2450. Even silver rupees may be said to be hoarded with different degrees of tenacity. Some rupees would be more likely to be disposed of than others?—Yes.

2451. I suppose the effect of a famine might be to bring more rupees into circulation?—Yes, no doubt.

2452. That probably would not appear in your figures?—It ought to appear to some extent.

2453. In 1897?—In 1897 and 1898, but the results as to 1897 and the early part of 1898 will only be available in the returns we receive in May of this year.

2454. That has not appeared yet?—We have no knowledge yet.

2455. That has not appeared in any returns yet?—No.

2456. But if rupees were coming back from foreign countries that would appear?—Up to the last census.

2457. Now to take that one step further. Can you say with certainty or with probability that that contraction from 128 to 120 crores is sufficient to have affected prices in India generally?—I should not expect it to affect retail prices, except slowly.

2458. You would not say in what time?—No, I should not pretend to say in what time.

2459. In 1893 and the years immediately preceding there had been a considerable import of silver and a larger coinage of silver?—Yes, there were 9½ crores from 1889 to 1892, and 8 crores in 1893.

2460. Larger than usual?—Yes—well, there is really no usual—it has been gradually rising. It was 8 crores for the years just before 1889.

2461. But for the last four years or so before 1893 the imports of silver and the coinage of silver increased?—Yes, that is the main reason.

2462. There was an addition to the currency on that account?—Yes, from 1886.

2463. It is possible that that addition to the currency did not affect prices immediately?—I should say probably not.

2464. Could you give us the number of years it would take for it to affect prices?—I would not pretend to say. I would rather take it the other way round. I mean I would not argue that prices have risen, therefore the circulation has expanded; but that the circulation has expanded, and prices should or may have risen.

2465. Nor would you attempt, I suppose, to say within what number of years a contraction of the currency would affect prices?—No.

2466. (*Sir C. Crosthwaite.*) I see in some of the Indian papers that the 1840 rupee has been refused by the railways?—Yes; it is so stated, I think.

2467. Has it been withdrawn?—No. There is rather a trouble about the 1840 rupee. The instructions the Government have given are not very clear. The legal tolerance is 2 per cent. If our cashiers receive coin below this rate they suffer, *i.e.*, they have to make good the difference; and as the rupee intrinsically is worth only 10*d.*, this comes very hard on the receivers, and the result is that they do not like to take the old rupees, and consequently there is trouble. That has brought the 1840 rupee into bad repute.

2468. Why I asked the question was because I wanted to know if there was any evidence that the 1840 rupee was being brought out of hoards?—Yes. I think the figures show that that is probable on the whole.

2469. And that would show to some extent that the actual contraction was being felt?—No, I do not think so. I think many reasons could be given for the hoarded rupee coming out. It might be to buy silver.

2470. Or it might be on account of the famine?—Probably. As I said in answer to Sir D. Barbour, we have not got the figures yet to show what happened during the last year.

2471. (*Sir A. Dent.*) May I ask if you can give us a table showing the monthly balances of treasure at the government treasury and at the presidency banks for the last 10 years or so?—I think the India Office would be able to give you that.

2472. (*Mr. Holland.*) You tell us that the circulation in 1893 was 128 crores, and you tell us in 1897 owing to the closure of the mints it diminished to 120 crores?—That is my idea.

2473. You admit that the population will have increased in the interval?—Oh! yes, and the volume of transactions also probably.

2474. And there has been railway construction to a considerable extent, which has made no doubt a greater demand?—Yes.

2475. When previous witnesses have been questioned on the subject of redundancy they have shied at the very mention of the word. I suppose you also would hesitate to express an opinion as to whether or not there is any redundancy of the rupee?—I think that depends entirely on the rate at which you are taking exchange. If the equilibrium actually existing between currency and commodities is 1*s.* 4*d.* (which I doubt), then, of course, rupees are not redundant at that rate. If the true equilibrium is 1*s.* 3*d.*, and the actual exchange of the day is 1*s.* 4*d.*, then rupees are redundant until the number circulating or the rapidity at which they circulate alters so that the true equilibrium becomes 1*s.* 4*d.* Similarly, if the exchange falls to 1*s.* 1½*d.*, then rupees, which are sufficient at 1*s.* 3*d.*, are scarce (the reverse of redundant) at the lower rate. Everything depends upon what rate you assume.

2476. But take the rate we now have?—I do not think the present rate of 1*s.* 4*d.* is the rate at which currency and commodities are now in equilibrium. I consider the rupee is worth 1*s.* 4*d.* now on account of special disturbing causes, I believe 1*s.* 3*d.*, or less, is nearer the true rate. Therefore, at 1*s.* 4*d.* rupees are redundant.

2477. (*Mr. Campbell.*) What is done with the 1835 rupee when it is called in?—We simply keep it apart.

2478. You are not melting it?—No. We may have used some of it for coining the fractional coinage.

2479. A portion of it has been recoined?—I think very probably, in fact, I have no doubt that that has been the case.

2480. Then the contraction which you estimate from 128 to 120 crores takes into account the whole of the rupees that have been brought back into circulation?—Yes.

2481. If these hoarded rupees had not been brought back into circulation the shrinkage or contraction would have been greater?—Quite so.

2482. (*Mr. Le Marchant.*) Is there any tendency of old coinage to remain out through becoming light, like light gold in this country? Does any element of that kind affect your calculation?—I do not think so. I considered that point very carefully. There has been a difficulty with the 1840 rupee. I daresay the 1840 rupee will be perhaps a little shy of coming into our circulation, but I do not think it has affected our results so far.

(*Table referred to in A.* 2436.)

—	1876.	1877.	1878.	1879.	1880.	1881.	1882.	1883.	1884.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.
William IV. - - -	4·82	4·55	5·02	3·57	3·14	2·99	3·01	3·02	2·83	2·57	2·31	2·35	2·13	2·02	1·81	1·84	1·69	1·44	1·47	1·54	·77	·5
1840. 1st issue - -	10·34	10·49	8·33	8·04	6·81	6·88	7·02	7·31	6·93	6·27	5·46	6·17	5·44	5·53	4·86	4·42	4·67	4·01	4	4·4	4·08	3·9
1840. 2nd issue - -	29·86	27·97	24·16	23·3	21·75	20·71	21	19·82	18·99	18·5	16·16	16·22	15·24	14·16	12·86	13·11	12·54	11·4	10·99	11·23	11·91	12·1
1862–73 - - -	49·83	45·67	38·35	36·67	34·82	34·14	34·53	32·85	31·52	29·93	27·81	27·96	25·55	24·26	23·25	22·3	22·11	20·23	19·92	19·85	20·56	20·5
1874 - - - -	2·19	2·28	1·85	1·67	1·6	1·45	1·38	1·19	1·16	1·18	·99	·92	·92	·89	·95	·82	·72	·91	·75	·79	·77	·8
1875 - - - -	2·7	3·13	2·79	2·58	2·6	2·24	2·08	1·92	1·85	1·79	1·64	1·67	1·44	1·4	1·39	1·38	1·21	1·19	1·12	1·19	1·17	1·2
1876 - - - -	·26	4·13	3·54	3·35	3·04	2·78	2·64	2·42	2·4	2·26	1·99	1·87	1·79	1·75	1·65	1·61	1·49	1·32	1·41	1·43	1·43	1·5
1877 - - - -		1·78	12·07	11·49	10·49	9·71	9·2	8·75	7·98	7·69	6·9	6·63	6·11	5·67	5·44	5·22	4·9	4·34	4·31	4·26	4·48	4·5
1878 - - - -			3·89	8·26	7·76	6·88	6·37	6·15	5·57	5·35	4·77	4·47	4·03	3·88	3·66	3·53	3·23	2·99	2·91	2·95	3·01	3·1
1879 - - - -				1·06	5·13	5·78	5·3	5·25	5·4	5·1	4·65	3·9	3·59	3·33	3·26	2·97	2·82	2·52	2·52	2·61	2·6	2·8
1880 - - - -					2·85	6·31	5·96	5·41	5·38	4·86	4·53	3·98	3·89	3·49	3·37	3·13	2·92	2·61	2·62	2·60	2·59	2·7
1881 - - - -						·13	·32	·39	·6	·54	·42	·34	·37	·38	·63	·37	·4	·33	·32	·39	·31	·3
1882 - - - -							1·19	5·24	6·15	6·02	5·32	4·95	4·56	4·06	3·71	3·6	3·25	3·1	2·94	2·92	2·9	2·9
1883 - - - -								·19	1·77	1·87	1·52	1·5	1·39	1·26	1·15	1·05	·97	1·03	1·05	1·02	1·05	1·1
1884 - - - -									1·86	4·02	3·59	3·69	3·82	3·22	2·78	2·59	2·39	2·23	2·17	2·16	2·1	2
1885 - - - -										1·98	9·36	7·64	7·27	6·55	6·04	5·62	5·06	4·48	4·21	4·18	4·08	4
1886 - - - -											2·58	4	4·28	3·85	3·32	3·02	2·77	2·43	2·42	2·39	2·31	2·3
1887 - - - -												1·64	5·33	6·99	6·82	6·14	5·58	5·04	4·8	4·50	4·63	4·5
1888 - - - -													2·8	5·78	5·46	4·9	4·46	3·7	3·72	3·58	3·55	3·6
1889 - - - -														1·48	5·11	4·44	4·7	4·54	4·21	3·87	4·07	4
1890 - - - -															2·44	4·53	6·19	6·44	6·27	6·03	6·47	6·9
1891 - - - -																3·38	4·42	4	4·06	3·87	3·63	3·7
1892 - - - -																	1·43	6·91	7·23	6·82	6·39	6
1893 - - - -																		2·77	4·96	5·42	5·19	5·1
Miscellaneous - -	—	—	—	·01	·01	—	—	·09	·11	·07	—	·1	·05	·05	·04	·03	·08	·04	·02	—	—	—
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

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2483. Would you connect that with new issues of full weight rupees?—I do not think so. Most of the melting would naturally be done just outside the big towns, and the circulation of the outside treasuries is naturally of a little older coin than is circulating near these centres of trade. The rupees in the outside towns will naturally be a little older than those current in the big centres.

2484. May I ask whether the principle upon which you base your calculation is well recognised?—I believe that the method has been accepted by the three greatest authorities on the subject, M. de Foville in France, Professor Adolf Soetbeer in Germany, and Professor Edgeworth, of Oxford, in this country. I think they all accept my results as the best we can get on the data available. I do not say they are perfect, but they are the best one can get. I should not be surprised if the circulation, instead of being 128 crores, was found to be 140 crores on the one hand or 90 crores on the other. At any rate I give the statement without bias. I have no views one way or the other which colour my conclusions.

2485. (*Sir J. Muir.*) What would be the value of the rupees that you have locked up in Madras?—The 1835 rupees?

2486. All that you have called in?—We take them at a rupee.

2487. What amount?—The total amount we have got now?

2488. Yes?—I think, as a shot, as we recovered in a year about 86 lakhs up to May 1897 we shall probably recover owing to the famine say another 60, so that I should say it would be 150 lakhs probably, but I will give you the exact figure when I get it from India.

Adjourned.

Mr. J. F. Finlay, C.S.I.

13 June 1898.

Mr. JAMES FAIRBAIRN FINLAY, C.S.I., called and examined (*13th June* 1898).

2489. (*Chairman.*) What is your official position?—Secretary to the Government of India in the Finance Department.

2490. You are the second in command to Sir James Westland?—Yes.

2491. As a preliminary question let me ask you, are the Committee to take it that in your evidence you are representing the views of Sir James Westland?—The policy of the Government of India.

2492. How many years have you been in the Finance Department?—I have been secretary since the beginning of January 1891.

2493. And for how many years before that were you in the Department?—I joined the Accounts Department in 1881.

2494. So that you have spent all your official life in the Finance Department?—All, except the first six years.

2495. Now, will you tell the Committee shortly what was the state of things in India which induced the Government of India in 1892, I think it was, to apply to the Secretary of State with reference to the closing of the mints?—The continuous fall in the gold value of the rupee, which led to constant increase in the amounts required to pay the home charges, and the fluctuations in the rate of exchange. We could not foresee whether it was going to rise or fall, so that we were constantly uncertain whether the budgets would be upset by a further fall.

2496. Was any other scheme discussed by the Government of India except the closing of the mints in 1892?—The establishment of a gold standard. The closing of the mints was part of that.

2497. But, I mean, was there any other scheme before them?—Bimetallism and other proposals were considered, but the practical alternative was to go on as we were and have increased taxation.

2498. The alternative was increased taxation?—A large increase in taxation. Of course there was also the effect on trade. It was considered that it would be a great benefit to the trade of the country to have a steady rate of exchange, and in 1892 the public agitation in India was from the point of view of trade more than from the point of view of the Government—at least, as much.

2499. What was the lowest point to which the rupee fell in 1892? Let me read to you, in order that we may have it on the notes, this passage in the letter of the Under Secretary of State for India to the Secretary of the Treasury, dated 13th May 1892, which recapitulates the position. It is reprinted at page 146 of the Minutes of the Herschell Committee: "In December 1890, the rate of exchange "was, with the concurrence of the Treasury, fixed "for 1891-92 at 1*s.* 6½*d.* the rupee, in agreement "with the gold value of silver at that date; in "about four months the rate for selling bills on India "had fallen to 1*s.* 4¾*d.* the rupee, causing an in- "creased charge in the remittances for India, "estimated for the year then commencing, of "Rx. 2,168,000. From the middle of February to "the 18th March last, when the budget for 1892-93 "was under consideration, the value of the rupee "ranged between 1*s.* 4*d.* and 1*s.* 3¾*d.*, and the "Government of India adopted the higher of those "two rates; within 11 days from the publication of "the budget, the market rate of India had fallen "below 1*s.* 3*d.*, at which rate the drop of a penny in "the rupee would cause an additional charge for "remittance in 1892-93 exceeding Rx. 1,700,000. "Thus, within a few weeks, the Government of "India is liable to find itself exposed to the necessity "of providing a sum greater than the whole of its "receipts from either the customs duties or the "assessed taxes, or from the recent increase of the "duty on salt; and this result ensues from causes "over which neither the Government nor the people "of India have any control, but which arise for "the most part from legislation, either actual or "threatened, by other nations." That is the point we start from. That is, I suppose, a very fair recapitulation of the situation prior to the dispatch which resulted in the closing of the mints?—Yes.

2500. I suppose part of the consideration there was that the closing of the mints was contingent on the failure of the Brussels Conference?—Yes, on the failure to secure an international agreement which would establish a fixed ratio between gold and silver or in some other way would make silver steady and prevent it from falling further.

2501. After the mints were closed, for some time the rupee went further down still?—Yes.

2502. Up to June 1893 the intrinsic value of the rupee and its exchange value were identical?—Practically identical.

2503. What was the actual date of the closing of the mints?—The 26th June 1893.

2504. In July 1893 a divergency began between the value of silver and the value of the rupee?—Yes.

2505. That is, the exchange value of the rupee did not rise very much, but the intrinsic value of the rupee went down a great deal?—The value of the metal in the rupee fell considerably.

2506. Just let me get officially from you what was the lowest price that the intrinsic value of the rupee fell to?—In 1894, silver went down to 27*d.*, and last year it went down to 24*d.*—24*d.* an ounce corresponds to about 9¼*d.* the rupee.

2507. What was the actual figure in 1897-98? The minimum price was reached 26th August 1897?—That was under 24*d.*

2508. When the value of the rupee was 9*d.* or a very little over, what was

exchange value of the rupee?—In August last it was nearly 1*s.* 4*d.*

2509. That, we may take it, is the extreme between the two?—Yes.

2510. Now, going back to 1893, the amount of coinage in circulation prior to 1893 was allowed to increase automatically so as to be sufficient to meet the demands of trade at its then value?—Anyone could take silver to the mints and get it coined.

2511. Since 1893, this automatic increase being stopped, the value of the rupee has been determined rather by the amount of coinage in circulation than by its intrinsic worth?—Yes.

2512. Between 1893 and 1898, what do you think the effect of that has been upon the trade of India?—The fluctuations have continued and there has been a general unsettled state, with the result that there is no confidence that the policy of the Government will be carried through.

2513. Take trade as a whole between 1893 and 1898, I am not talking of isolated months, but take the general trade of India from the period of the closing of the mints down to the present time; has the closing of the mints had an injurious effect upon trade?—I do not think so.

2514. Has the volume of trade decreased? — I believe not, except in the famine years.

2515. What has been the effect on the finances of the Government of India? — It has been a very beneficial effect. We have gained each year since the rupee began to rise.

2516. Will you give us the figures. What would be the amount of rupees required to be remitted, if the exchange value of the rupee had fallen to its intrinsic value?—I have a statement here of the loss in remitting 16,000,000*l.* The loss caused by a fall from 16*d.* to 15*d.* is Rx. 1,600,000; the loss caused by a fall from 15*d.* to 14*d.* is Rx. 1,829,000; the loss caused by a fall from 14*d.* to 13*d.* is Rx. 2,111,000; the loss caused by a fall from 13*d.* to 12*d.* is Rx. 2,460,000. It increases with each penny. The total loss caused by the fall from 16*d.* to 12*d.* would be eight crores.

2517. (*Sir D. Barbour.*) That is the loss on remitting 16 millions sterling. Of course there are additional charges due to the fall in exchange which would also have to be taken into account?—The pay of the British soldiers, and exchange compensation allowances.

2518. (*Chairman.*) The return entitled "Net "Revenue and Expenditure of the Government of "India," now shows the entire loss on exchange each year, it shows what exchange costs the Government of India. I will read the figures out to you. In 1891–92, the total net charge for exchange was Rx. 7,200,000, and the average rate of exchange was 1*s.* 4¾*d.* You understand these returns include everything, pay to soldiers, home charges, and, when it comes in, exchange compensation allowance In 1892–93 the cost went up to Rx. 10,287,000. In 1893–94 it reached Rx. 11,523,000. In 1894–95 (which is the year you have just been mentioning, when it went to its lowest) it reached Rx. 15,045,000. In 1895–96 it reached Rx. 13,991,000 (there was a fall then, the mints were closed); and in 1896–97 it went down to Rx. 12,116,000. The point I want to get out officially from you is the increase or decrease of the taxation of India—that is practically what it amounts to—by the loss of exchange. Will you tell us what was the highest amount reached, and what it has now fallen to? When you correct the proof of your evidence, perhaps you will fill in the figures for 1897–98; you will find that that is less again; as the rupee goes up the charge for exchange decreases?—According to the Revised Estimate the figure for 1897–98 will be Rx. 10,546,000?

(*Mr. Le Marchant.*) May I ask with regard to that whether we are quite clear about it? Would Mr. Finlay explain whether that is loss by exchange or a book entry of the difference between the actual exchange and an imaginary rupee of 2*s.* From that figure the loss can be arrived at no doubt, but is that the loss itself?

(*Witness.*) It is the difference between what the sterling amounts cost now, and what they would cost if the rupee were at 2*s.*

(*Chairman.*) It is not an imaginary loss at all. It is the amount of rupees which the Indian Government has to raise from the people of India in order to remit to London, or to pay to the soldiers in India, or to pay to the civil servants and officers for their compensation, an aggregate gold sum.

(*Witness.*) The sum of these figures you read out, and the equivalent of the sterling amounts at 2*s.*, makes the total amount of rupees actually payable.

2519. (*Mr. Hambro.*) But you have always taken in the imaginary difference also?—If we contract a gold liability when exchange is at 1*s.* 4*d.* and exchange afterwards falls to 1*s.* 2*d.*, the difference between exchange at those two rates is a real loss; the extra amount obtained by taking exchange at 2*s.* instead 1*s.* 4*d.* is not a real loss in that case.

2520. (*Sir D. Barbour.*) The difference from year to year is not in any way affected by your taking the rate of 2*s.*, although the total exchange which you show for any one year is affected?—No.

(*Chairman.*) No, that is the real loss, it is not imaginary.

(*Sir D. Barbour.*) Exactly. You may take 3*s.* or whatever figure you like as a *datum*.

2521. (*Mr. Le Marchant.*) What I wanted to know was whether the figures given are the figures of what is called charge for exchange in accounts, or whether it is actual loss by exchange; and, if so, how would you arrive at it?—The difference between two years represent the actual loss in the one year as compared with the other.

2522. Yes; but are the figures that we have just been talking about the actual loss, or what is called charge?—The charge, the difference between the actual rate and the old rate of 2*s.*

2523. (*Chairman.*) A fall in the exchange value of the rupee amounts so far as remittances to London are concerned—the compensation allowance and the charges in respect of the army—to an increase in the rupee expenditure in India?—An increase between 1891–92 and 1894–95 of from Rx. 7,000,000 to Rx. 15,000,000.

2524. It has been an increased burden, and, if not arrested, would be a continually increasing burden?—Yes.

2525. And if the exchange value of the rupee to-morrow or next year went down, as Mr. Arthur put it in his evidence, to something like 11*d.*, you would have to raise additional taxation?—Yes.

2526. Now, will you tell us, in your own words, what was the immediate effect of closing the mints—first upon the importation of silver into India?—There was a large increase in the importation of silver immediately after the closing of the mints. That was due, I believe, to the fact that at the same time Council Bills were stopped. The Secretary of State held out for a minimum, and no Council Bills were sold for six months from August 1893 to January 1894. Since then there has been a considerable decrease in the imports of silver.

2527. And do you think there was any return of rupees from hoards into circulation?—I believe there was, but not to such a great extent as people expected. In the census which we take of rupees every year we do find a small increase, a decimal point or so in the year, in the number of old coins. We take a census of the number of coins of different coinages every year, and we find there has been a slight increase of old coins. That seems to indicate that there has been some return of rupees from hoard.

2528. Was it the opinion of your department that in June 1893, when the mints were closed, there was any redundancy in the currency?—It was the opinion that there were too many rupees if the exchange was to be kept from falling.

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2529. That is what I meant?—And that it was better to stop further additions to them. There was a redundancy unless we were prepared to allow exchange to go on falling indefinitely.

2530. What is the opinion of your department with reference to the operation of that during the three or four following years?—We stopped the increase that would have gone on if the mints had remained open.

2531. We may take that for granted, but what has been the effect of that stoppage on the currency?—We believe it had some effect in causing—not an actual contraction of the currency; we do not believe that there has been an actual contraction of the currency, but we do believe that there has been a relative contraction. The demand for currency would have gone on increasing year by year as it did before, and as there have been no such addition, there must be a relative contraction.

2532. Do you think that the currency was then more than the trade of India required, and that it is now sufficient for the trade of India?—It was then more than the trade of India required, if you were to have a fixed rate of exchange of 1*s.* 4*d.*, and I think it is still more than is required for that rate.

2533. But not such a redundancy as there would be with a rate of 1*s.*?—No; no redundancy for a rate of 1*s.*

2534. Therefore, there was no redundancy, we may take it, in the first year after the mints were closed. If I recollect rightly, the average price in 1894–5 was 1*s.* 1*d.*; there would be no redundancy then?—Not for a rate of 1*s.* 1*d.*, but there would have been for a rate of 1*s.* 4*d.*

2535. Then the redundancy has developed or increased since the exchange value of the rupee has increased?—The redundancy has been diminished.

2536. While the rupee was at 1*s.* 1*d.* the currency was sufficient for it?—Yes.

2537. Now, when the rupee is at 1*s.* 4*d.* the currency, you say, is more than the trade requires?—It is still sufficient.

2538. More than sufficient; you say it is redundant. My point is, that given a uniform rate of 1*s.* 1*d.*, the present currency is not redundant?—Not if you allow the rate to go down to 1*s.* 1*d.*

2539. But if you put up the rate to 1*s.* 4*d.*, it would be redundant?—Yes.

2540. That is, you would have more rupees in circulation than you would need?—Yes.

2541. Now, when the Government of India proposed in 1893 the closing of the mints, was that part of a financial scheme with reference to the standard of currency?—Yes.

2542. What was the other part?—The proposal was to pass eventually to a gold standard. In order to do that it was intended, first of all, to reduce the rupee to the position of a token coin, while it still retained full unlimited power of legal tender, like the 5-franc piece in France. In order to do that, the first step taken was to stop additions to the currency. Then the other measure that would be necessary to support its value as a token coin would be to get a store of gold as a backing. It was hoped that that store would come in under the notifications which offered to take gold at the rate of 1*s.* 4*d.*

2543. But that was not part of the original scheme of the Government of India?—It was part of the scheme that was adopted after the Report of the Herschell Committee.

2544. But that was not the unanimous report of the Herschell Committee. Mr. Bertram Currie very strongly dissented from that?—Yes.

2545. He said this: "I should have preferred to "approve those proposals without imposing the "condition that the closing of the mints should be "accompanied by an announcement that rupees will "be coined in exchange for gold at the rate of "1*s.* 4*d.*"?—That is so.

2546. The first step proposed by the Government of India was the closing of the mints to silver by an Act of the Legislature?—Yes.

2547. At the same time, the Government of India proposed to take power to introduce a gold standard by making gold coins a legal tender at a rate not exceeding 1*s.* 6*d.* the rupee?—Yes, to be declared by notification.

2548. According to the proposals of the Government of India the rate to be finally adopted might have been 1*s.* 2*d.*, 1*s.* 6*d.* or 1*s.* 4*d.*, but it could not have been 1*s.* 7*d.* or 1*s.* 8*d.*?—That is so.

2549. I believe the Government of India did not propose to use this power immediately on the closing of the mints?—No, it proposed to wait.

2550. The intention was to close the mints and wait for some time, and then act in the light of the experience acquired subsequently to the closing of the mints?—Yes.

2551. Will you read the paragraph in the report of Lord Herschell's Committee which shows that?—In paragraph 48 of the Herschell Committee Report there is set out a telegram of the 22nd January 1893, in which the Government make this statement regarding their proposals: "We pro- "pose to take power to declare, by notification, that "English gold coinage shall be legal tender in India, "at a rate of not less than $13\frac{1}{3}$ rupees for one "sovereign, and we have provided for that in the "draft Bill. We think that an interval of time, the "length of which cannot be determined beforehand, "should elapse between closure of the mints and any "attempt to coin gold here. The power to admit "sovereigns as legal tender might be of use as an "*ad interim* measure, and need not be used except "in case of necessity." That makes it clear that the Government of India proposed to close the mints, and to await the experience acquired from that measure, and to be guided by the result of that experience.

2552. I believe the Herschell Committee accepted the proposal to close the mints?—Yes.

2553. And, generally, the Committee may be said to have accepted the proposals of the Government of India with one exception?—Yes.

2554. That exception was that the Committee substituted for the proposal to take power to fix a rate not exceeding 1*s.* 6*d.*, another arrangement, by which 1*s.* 4*d.* was to be taken as a provisional rate; that was the one alteration?—Yes.

2555. The object of that arrangement was, I believe, to prevent any possible sudden great rise in exchange?—Yes.

2556. And that arrangement was to be provisional?—It was.

2557. The question of the permanent ratio was left by the committee for decision in the future?—Yes.

2558. Has the Government up to the present time absolutely committed itself to any definite ratio, I mean, has it committed itself to the extent that it is not open to the Government to go back and propose a different ratio?—No, it has not.

2559. Sir James Mackay seemed to hold a different opinion. If you like, before your evidence is finally settled, you can consult the Government of India on the matter. The question is this: Has the Government of India committed itself to any particular ratio beyond all possibility of drawing back?—The Government of India in its present despatch has committed itself to 1*s.* 4*d.*

2560. Do you mean to say that it is not open to the Government now to say that on reconsideration they prefer (say) 1*s.* 2*d.*?—They have very definitely proposed 1*s.* 4*d.*

2661. That is recommended to the Secretary of State, but has the Secretary of State adopted it?—No, he has not given any orders on the point.

2562. And until he has adopted it, it is not final?—It is not.

2563. And it would be open to the Government of India to alter their recommendation?—It would.

2564. Now, the mints were closed, as we know, on the 26th June 1893?—Yes.

2565. I believe the arrangement by which the Government offers to give a silver rupee for 16*d.* in gold, and to receive a sovereign in payment of 15 rupees, is one that was made by executive authority?—Yes.

2566. There is no Act of the Legislature which compels the Government to do that?—No.

2567. The Government has merely directed its officers to act in that way?—Yes.

2568. Was it any part of the proposals of the Government of India that the Secretary of State was not to sell his bills for less than 1*s.* 4*d.* the rupee?—No, it was not.

2569. Was it any part of the proposal that the amount of the bills to be sold was to be reduced so as to secure any particular rate of exchange?—No, it was not.

2570. (*Sir David Barbour.*) To show that that was the position, will you read the question which was put to me in the Legislative Council on the 31st August 1893 by Sir J. Mackay, and the reply I then gave?—The Honourable James Mackay asked: "Whether representations have been made "to the Government of India by various public "bodies during the past few weeks, complaining of "the action of the Secretary of State in not fixing "some minimum for the sale of his Council drafts "during the present dull season, so as to give a basis "on which commercial transactions might be arranged. "If so, and in view of the serious losses which have "been incurred, and the disorganisation to trade "which has arisen through the violent fluctuations in "exchange, consequent upon the Secretary of State "letting his bills go as low as 1*s.* 3¼*d.* in the middle "of August, after having sold them for 1*s.* 4*d.* in the "end of June, I would ask whether any action has "been taken upon the representations received by "Government, and whether the communications, if "any, which have passed between the Government of "India and the Secretary of State upon the subject "will be published for general information, and, if so, "when."—Your reply was as follows: "It is the fact "that representations have been made to the Govern-"ment of India during the past few weeks regarding "the action of the Secretary of State in not fixing "some minimum for the sale of his Council drafts "during the present dull season. These representa-"tions have been considered by the Government of "India, and communications have passed, by telegram, "between the Secretary of State and the Govern-"ment of India. The correspondence is not yet "closed, and could not properly be published at the "present time. The Government of India wish to "add, that misapprehension appears to exist in some "quarters regarding their recent action in connexion "with the Indian currency. The avowed object of "the Government of India in closing the Indian "mints to the free coinage of silver, was to alter the "Indian monetary standard from silver to gold; but "it was expressly stated in this Council, on 26th June "last, that it was not intended for the present to do "more than stop the free coinage of silver, and, as a "provisional arrangement, to provide for the issue of "rupees at the mints in exchange for gold, at the "rate of 16*d.* per rupee. The object of providing "for the issue of rupees in exchange for gold, at 16*d.* "the rupee, was to prevent any great and sudden "rise of exchange, and the Government did not "undertake, either to establish 16*d.* per rupee as the "permanent ratio of exchange between gold and "the rupee, or to establish any other permanent ratio, "immediately, or within any specified time. The "words which I used in dealing with this matter "were as follows:—'The making of gold coins legal "'tender, the settlement of the permanent rate of "'exchange between gold and the silver rupee, and "'the other measures necessary for the final and "'effective establishment of a gold standard in India, "'will be provided for by future legislation, and in "'the light of future experience.' It would have "been very satisfactory if exchange had risen to "16*d.* as soon as the mints were closed, and had "remained permanently at that figure; and no doubt "this expectation was entertained in some quarters, "and business transactions were entered into in the "hope that this would be the case. The Government "of India regret that the sudden rise in exchange, "which took place after 26th June, and the sub-"sequent fall, should have caused so much loss "and inconvenience to the mercantile public, and "they deeply sympathise with those persons who find "the anxieties which are inseparable from business "greatly aggravated by the uncertainty which prevails "as to the future course of exchange. At the same "time, the Government of India must point out that "they gave no encouragement to the idea that, as the "result of the preliminary measures taken on the "26th June, the gold standard would be at once and "effectively established in India, either at the ratio of "16*d.* for the rupee, or at any other ratio. The "words which I used on 26th June were as follows:— "'It may be that the gold standard can be made "'effective from the first . . . . Or it may be "'that the making of the gold standard effective, "'and the establishment of it on a secure basis will "'involve a long and arduous struggle, and necessi-"'tate heavy sacrifices. Time alone can show which "'view is correct.' What has actually happened is, "that there was a large rise in exchange immediately "after the closing of the Indian mints. This rise "was speculative, and not justified by any change in "the conditions which regulate exchange; in point "of fact, the conditions were, and are still to a great "extent, unfavourable to any immediate and serious "rise in exchange of a permanent nature. The "Indian mints were closed at the slack season of the "year; there had been very heavy imports of silver "immediately before, and large transfers of rupee "paper to London, which is believed to be now "returning to India; while the drawings of the "Secretary of State are exceptionally heavy for the "current year. The Government of India regret the "fluctuation and the evils to which it has given rise, "but, in their opinion, nothing that has occurred "since June last affords any ground for holding that "the gold standard cannot be effectively established "in India. On the contrary, it was from the first "foreseen that difficulties might be encountered, and "would have to be overcome in carrying out the "measure. The actual occurrence of these difficulties "should not be a ground for discouragement, especially "when it is remembered that the time and circum-"stances have been especially unfavourable, and have "tended to retard the full operation of the measure. "There is, therefore, reason to hope that the diffi-"culties which have arisen will prove to be temporary, "and will in time disappear."

2571. The mints have now been closed for nearly five years?—They have.

2572. Consequently some experience has been obtained of the results of closing the mints?—Yes.

2573. It is the case that during those five years there have been many, I may say very many, disturbing causes. I will ask you as to each one of those disturbing causes. First, after the mints were closed, did the Secretary of State sell some bills just below 1*s.* 4*d.*?—Immediately afterwards and immediately before.

2574. But, just after the closing of the mints, he sold some at a rate just below 1*s.* 4*d.*?—He did.

2575. What was the result of that?—There was then a great outcry in India that the Secretary of State, by selling bills below 1*s.* 4*d.*, and by not fixing a minimum, was not giving the scheme a fair trial. There was an expectation in India that he would sell them at 1*s.* 4*d.* and refuse to sell them below that.

2576. That was an expectation to which the Government gave no sanction?—No.

2577. And that answer that you read which I gave to a question by Sir James Mackay, on the 31st

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August 1893, in the Legislative Council, shows that the Government of India gave no sanction to it?—Just so.

2578. At or about the time of the closing of the mints, had there been large imports of silver?—There were large imports.

2579. Do you recollect that it was said about that time that there had been some speculation in exchange?—Yes, especially just a month or two before the closing of the mints.

2580. Things were in a very unsettled state as regards exchange after the closing of the mints?—They were.

2581. And the Secretary of State was urged to fix a minimum for his bills?—He was.

2582. He was very unwilling to do so?—He was; he did not do so for some time.

2583. Did he do it ultimately?—He never publicly announced it so far as I know, but it came to be known gradually that he would not give bills below 1*s.* 3¼*d.*

2584. Ultimately the Secretary of State abandoned that policy?—Yes; at the end of January 1894.

2585. In opposition to the wish of the Government of India, I think?—Yes, the Government wished at any rate to hold out for some time. They were confident that, if the Secretary of State had not abandoned the policy then, he would have succeeded in selling bills at that minimum of 1*s.* 3¼*d.*

2586. I suppose the fact that the exchange fell to 1*s.* 1*d.* in 1894–95 raises great doubts as to whether the Secretary of State could permanently have held out for 1*s.* 3¼*d.*?—It does; but at the time the minimum was abandoned the exchange banks were believed to be practically at the end of their resources, and, if he had held out for another fortnight or three weeks, he could have sold his bills at that minimum. Whether the rate would have kept up during the slack season is another question.

2587. The market having settled at 1*s.* 1*d.* afterwards, it is doubtful whether he could have held the rate up to 1*s.* 3¼*d.*?—No doubt.

2588. Did the price of silver fall largely after the closing of the mints?—Yes.

2589. And there were large imports of silver into India?—There were.

2590. I suppose the cause of those large imports was the fall in the rupee price of silver?—That must have been one cause, and also the fact that no council bills were being sold.

2591. As the Secretary of State was not selling bills, remittances were made by means of silver?—Yes.

2592. But they would not have sent in more silver unless they saw their way to sell it?—No doubt.

2593. Then, the disturbing causes at that time were, the speculation in exchange, the stoppage of his drawings for a time by the Secretary of State, and large imports of silver into India?—Yes.

2594. After that the exchange fell largely in 1894 and 1895?—It did.

2595. The Government of India were in financial difficulties?—Very great difficulties.

2596. And I believe general import duties were imposed?—They were imposed in March 1894.

2597. After that there was considerable war expenditure in connexion with Chitral?—There was; that was in 1895.

2598. Subsequently to that there was a considerable increase of borrowing. There was an extensive railway programme adopted, which involved large borrowing?—It was not intended to involve large borrowing. When the programme was started in 1894, I think one of the conditions made was, that it should not involve borrowing in sterling, but that it should be carried out with the surplus rupees which had accumulated in consequence of the stoppage in the sale of Council bills.

2599. But that was practically borrowing in England?—I mean it was understood that there should be no further borrowing. That money had been borrowed, and there was an accumulation of rupees at that time.

2600. Then, there was also considerable railway construction by companies which involved borrowing in London?—That was under a guarantee, but for the branch companies it was intended to make it a condition that the capital should be raised in India.

2601. And that borrowing for the construction of productive railways is still going on?—Yes.

2602. After that there came the famine?—Yes.

2603. And the plague?—Yes.

2604. The famine seriously affected the financial position of the Government of India?—Yes, very seriously.

2605. Do you think it would have any effect on exchange?—I think it would lower exchange.

2606. You think that would be the tendency?—The tendency would be to lower exchange.

2607. It would reduce exports more than imports?—It would reduce exports.

2608. After that there was considerable expenditure in connexion with the frontier tribes?—Yes.

2609. And the general result was that it was necessary to borrow very largely in England?—This last year?

2610. I should say it has been necessary to raise money largely in the last two years at any rate. Will you look at the "Net amount of registered debt in India." What is the total debt borrowed in India in 1896–97?—Rx. 5,326,125.

2611. Two crores of that was taken from the paper currency reserve?—Yes.

2612. How much was borrowed in 1897–98?—Rx. 2,570,500.

2613. And the estimate for 1898–99?—Rx. 2,675,000.

2614. Now turn to the "Amount of Rupee Capital "paid by Railway or Irrigation Companies into the "Government Treasuries in India." What is the amount in 1896–97?—Rx. 328,200.

2615. In 1897–98?—Rx. 704,800.

2616. And what is the estimate for 1898–99?—Rx. 1,440,000.

2617. Then, take the statement of the amount of money raised by debt incurred in London. What is the net amount raised for 1896-97, excluding specific debt incurred for railways and canals?—The amount paid off is 849,992*l.*

2618. In 1897–98?—8,379,407*l.*, the amount borrowed.

2619. And the estimate for 1898–99?—2,615,300*l.*

(*Mr. Campbell.*) Does that include the floating debt?

2620. (*Sir D. Barbour.*) That includes everything. Now, will you look at the "Amount "of capital raised in London by Indian railway or "irrigation companies guaranteed by the Secretary "of State." Look at the "net capital receipts" column, and tell me the amount for 1896–97?—3,570,893*l.*

2621. Then, 1897–98?—1,758,874*l.*

2622. And the estimate for 1898–99?—2,273,000*l.*

2623. Then there was also raised during that time, in London, capital required for railway companies that had no guarantee from the Secretary of State, but that had entered into agreements with him for the construction of their lines?—The figures for calendar years are:—1894, 475,927*l.*; 1895, 698,385*l.*; 1896, 1,849,444*l.*; 1897 (six months), 463,037*l.*

2624. The war expenditure is now practically over, I think?—It is. There are still some troops on the frontier, but only a small number. There will not, however, be any great reduction below the estimate taken on account of the war this year.

2625. But that is much less than the expenditure last year?—Yes.

2626. There have been good crops this year?—Very good indeed.

2627. And higher prices in England?—Yes.

2628. And there have been very large exports of wheat from India?—Yes.

2629. So that at the present time the special causes affecting exchange would appear to be: very good crops in India, high gold prices in Europe for certain Indian produce, including wheat, and considerable borrowing in London?—Yes.

2630. Borrowing in London for railways involves remittances to India?—Yes.

2631. Of the money that is raised in London for railways, a portion is expended here on stores, such as rails, waggons, and so forth?—Yes.

2632. That is a separate transaction by itself, and has no effect on exchange?—Yes.

2633. But the money that is required in India for the construction of the railway, that money being raised in London, has to be sent to India, and that involves a remittance to India?—Yes, or a reduction in the amount the Secretary of State has to draw.

2634. That is the same thing; it reduces his drawings; it involves a reduction of the remittances from India? — Yes, it involves a reduction of remittances from India.

2635. (*Mr. Campbell.*) Is that included in the Budget—remittances on account of railways?—It is all taken into account. Having got so much money in London in that way, the Secretary of State draws less, and he only enters his actual drawings in the Budget.

(*Mr. Le Marchant.*) I think it is a matter of ways and means and remmittance account.

2636. (*Sir D. Barbour.*) I suppose it is. Then the result is this; that the mints have now been closed to silver for nearly five years, but owing to special disturbing causes that have affected the exchange during that time the experience is not so valuable as it might otherwise have been?—It is not.

2637. Now, what are the grounds on which the Government of India found their present proposals?—First of all, they hold that the closing of the mints has led to a contraction of the currency.

2638. By contraction of the currency, I understand they mean what they call relative contraction—that is the word which has been used by the Government of India?—Yes.

2639. I understand the meaning to be this—that the Government of India do not assert that there are fewer rupees in India, but they hold that there are fewer rupees relatively to the increased demand which is due to the development of the country during the last five years?—That is so. There was an additional number of rupees every year, and that addition has ceased to be made.

2640. And they hold that this relative contraction of the currency has caused the exchange value of the rupee to rise?—They do. They also hold that if this cause continues to act, that is, the closing of the mints to silver, the contraction of the currency must continue to increase, and they hold that there will consequently be a further rise in the exchange value of the rupee.

2641. They think that in that way you would, in the course of time, arrive at an exchange which would make it profitable to send gold to the mints?—Yes.

2642. And they think that gold would be sent to the mints as soon as it was profitable to do so?—As soon as the exchange rose to about 1*s.* 4$\frac{1}{8}$*d.* They also hold, that, for various reasons, it is desirable to cut short the period of transition, in the interests of India.

2643. How do the Government of India propose to cut short this period of transition?—They propose to withdraw rupees from the currency and melt them down, if necessary. In that way they hope to cause a further contraction, and a more rapid contraction, than there would be if rupees were not melted down. Simultaneously, they propose to borrow gold and ship it to India to form a gold reserve.

2644. What do they propose to do with the silver resulting from the melting down of rupees?—They propose to sell it.

2645. That melting down of rupees would lead to a reduction in the balance of rupees held at the Government Treasury?—Yes. When the bullion was sold the reduction would be the difference between the number of the rupees melted and the price realised by the sale of the bullion.

2646. How do they propose to make good that reduction?—By adding to the balance a part of the gold borrowed of equal value with the reduction. That amount, substituted for rupees, and the remainder of the borrowed gold, would form the nucleus of a reserve.

2647. If that operation were carried out, to what extent would there be a contraction of the currency?—The currency would be contracted by the number of rupees obtained for the bullion sold.

2648. Adding sovereigns to the currency to take the place of a portion of the melted-down rupees would be a reduction of the total contraction?—Yes.

2649. Now, what is the first operation the Government of India propose?—The borrowing of gold and the melting down of rupees. First of all there will be the borrowing.

2650. First of all, they propose to borrow 5,000,000*l.* of gold and bring it into India?—Yes.

2651. The next measure would be to melt down Rx. 10,000,000?—That sum is rather given as an example; they do not propose to melt down any definite sum. They propose to melt down as much as may be necessary.

2652. But they propose to begin with 10 millions?—They name that as a possible amount for the first year—as yielding the amount they think India could absorb.

2653. They intend that to be the first operation; that is, the melting down of Rx. 10,000,000; but I understand you to say that they do not propose to melt down the whole of that amount if they find that melting down half of it will do?—If they find that none is necessary, they will not melt down any. If exchange remains steady above 1*s.* 4*d.*, there would be no necessity to melt down anything.

2654. Is there anything in the despatch which says that you will not melt down silver when exchange reaches 1*s.* 4*d.*?—I think that it is assumed throughout the despatch that the melting will be undertaken only if necessary.

2655. Will you give the paragraph to which you refer?—In paragraph 9 they say: "We consider, "therefore, that the remedy for this state of things is "to remove from circulation as money so much of the "increases which were made to the circulating medium "immediately before 1893 *as we may find to be* "*redundant*." Then in paragraph 10 they say: "It is impossible with any exactness to say, and it "can only be ascertained by actual experience, by "how much this rupee circulation has to be decreased "in order to remove its redundancy." Then they go on to point out that "some considerations point to "the amount being within quite manageable limits." I think the 10 crores is rather named as the maximum which would be melted down the first year, and not as the minimum.

2656. It is not intended to take the full 10 crores to be melted down as one operation?—I think not.

2657. Then it would appear that whenever the exchange went over 1*s.* 4*d.* the melting down of rupees would cease?—It would.

2658. Whenever exchange went below 1*s.* 4*d.* it would begin again?—Yes; but we should not melt or cease melting in consequence of short temporary fluctuations, but only if there were a prolonged variation in the level of exchange.

2659. The Government of India propose to take power to borrow 20 millions of gold, if necessary?—Yes.

2660. And that would enable them to repeat the operation, if necessary, four times?—Yes, the borrowing operation.

2661. But they do not think it would be necessary to repeat it four times?—No, they do not.

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2662. They think that before Rx. 12,000,000 had been withdrawn, gold would have begun to come into the Treasury?—Yes.

2663. Rx. 12,000,000 means two operations?—Yes; and they also think that one borrowing of five millions might be sufficient; that amount would, approximately, cover the loss on two melting operations.

2664. Now there are many transactions taking place every day between England and India, such as the export and import of merchandise?—Yes.

2665. And remittances are being made from one side to the other?—Yes.

2666. And occasionally securities are transferred from one side to the other?—Yes.

2667. All these transactions, I think, may be said to result in bills drawn by the one country on the other?—Yes.

2668. And all these bills practically come into the banks for settlement and adjustment, one against the other?—Yes.

2669. Would you admit that, if on making up that account the balance turned against India, Indian exchange would fall?—Yes.

2670. And conversely if the balance turned in favour of India the exchange would rise?—Yes; provided that silver and gold kept steady.

2671. Other things being equal of course?—Yes.

2672. And I am assuming that the Indian mints are closed to silver. Now, is that rise or fall of exchange the natural operation by which the balance is adjusted, and the account between the two countries settled for the time, or is there any other way in which it is settled? Suppose the balance of account turns against India; how is the balance settled; it must be settled in some way?—Assuming that the quantities of exports and imports remained the same?

2673. Not assuming anything. Certain transactions have taken place, and bills drawn in consequence have come into the banks to be settled, and it is found that India owes more than she is entitled to receive, and she must pay her debts somehow. What is the process?—Either the exchange must be altered or other remittances would have to be made.

2674. Assuming that, when all transactions in the way of export and import, and so forth, which give a profit, have been carried out, the account is against India; what is it that forces the settlement of that account; what change takes place? The account is against India; that account cannot settle itself; how is it settled?—Through the exchange.

2675. Do you know of any other way in which it could be settled except by the rise or fall of exchange?—No.

2676. Do you think that exchange at the present day between England and India can be affected by any cause that does not alter the balance of account between the two countries?—No, I cannot think of any cause which would affect the balance without altering exchange.

2677. Any cause that acts on exchange at the present day must act through the balance of account between the two countries for the time being?—I think so.

2678. You have said that the alteration of the state of the account causes a rise or fall in exchange. You have also said that, as far as you can see, any cause that affects exchange must act through the balance of the account between the two countries. Then, I ask you whether it would be going too far to say that the movement of the rate of exchange up or down at the present time is simply the expression of the state of the account for the time being between the two countries?—It is a difficult question, but at present I cannot see that it would be going too far.

2679. Then, the proximate cause of the rise or fall of exchange is the alteration of the balance of account between the two countries?—Yes.

2680. That is the proximate cause?—Yes.

2681. Now, I wish you to enumerate the various causes that act on the balance of account between the two countries, and consequently act on exchange. Would you admit that good crops in India, of articles that are exported, jute, rice, wheat, and so on, tend to raise the exchange?—They would increase the exports.

2682. Larger exports from India turn the balance of account in favour of India?—Yes.

2683. And in that way good crops act favourably on the exchange?—Yes.

2684. In the same way, do you think that larger imports would have the opposite effect?—Yes.

2685. They turn the balauce of account against India?—Yes.

2686. What would be the effect of remittances of money from India to England for the time being?—They would act as imports.

2687. They would act upon the balance of account unfavourably?—Yes.

2688. Larger remittances from India mean a larger demand for sterling?—Yes.

2689. And remittances of money from England to India would have what effect on exchange?—They would have a favourable effect.

2690. And increased drawings by the Secretary of State?—They would have an unfavourable effect.

2691. And reduced drawings?—They would have a favourable effect.

2692. I want to consider the effect of the raising of money by a railway company in London for Indian railways. A portion of that money would be spent on stores in England, which stores would be sent out to India?—Yes.

2693. And I think you have said already that a transaction of that sort had no effect on exchange?—No, because it does not affect the balance at all. The money is received in London and it is paid out in London.

2694. It is a separate transaction by itself?—Yes.

2695. But the money required for expenditure in India would be a remittance to India and would affect the exchange for the time being?—Yes.

2696. Now I wish to consider the effect on exchange of a contraction of the Indian currency. What is meant by a contraction of the currency and what would be the effect of a contraction of the currency?—The rupee currency is becoming more valuable per unit.

2697. Prices fall?—Prices fall.

2698. Assuming that there exists a certain rate of exchange, and that prices in India fell, it would become more profitable to export from India?—It would.

2699. It would be less profitable to import?—Yes.

2700. And those two things would turn the balance of account in favour of India?—Yes.

2701. And the exchange would rise?—Yes.

2702. Therefore the result of a contraction of the currency would be to lower prices in India and raise exchange?—Yes.

2703. And the effect of an expansion of the currency in India would be the opposite effect?—Exactly.

2704. Then we will suppose there was a contraction of the currency in England and that gold prices fell; what effect would that have on exchange with India?—That would have the opposite effect.

2705. That would lower the Indian exchange?—It would lower the Indian exchange.

2706. And a rise of prices in England?—Would raise the Indian exchange.

2707. I would like to repeat or summarise what you have said and see if you still agree with it. First you say that the rate of exchange fluctuates according to the balance of account between the two countries?—Yes.

2708. The second thing you have agreed to is that at the present day no cause can really affect exchange which does not act on the balance of account?—Yes, so far as I can see at present.

2709. The third proposition is that the balance of account between the two countries is affected first of all by what I may call commercial causes, that is imports and exports, and secondly by financial causes,

by which I mean the remittances of money which do not originate in exports and imports, and thirdly by currency causes, the contraction or expansion of the currency?—Yes.

2710. Now when the Indian mints were open to silver, if there was an increased production of silver, a proportion of that increase would probably be sent to India, the mints being open?—If there was an increase in the amount of silver production of the world you mean?

2711. That is what I mean?—Yes.

2712. I mean that if the production of silver increased, the increase would have to be distributed over all the places where there was a demand for silver, and probably India would have to take a portion of it?—It probably would.

2713. That would increase the imports into India?—It would.

2714. So far it would lower exchange?—Yes.

2715. If the mints were open, that silver would probably go to the mints and be coined?—It did go.

2716. It would and did?—Yes.

2717. It would be added to the currency of the country?—Yes.

2718. If so, would it increase the quantity of the currency and, presumably, tend to raise prices?—Yes.

2719. And lower the Indian exchange?—Yes.

2720. Now what I want to know is whether you agree in the statement that the increased production of silver would have two effects on the exchange; first of all that it would lower exchange temporarily while it was being imported, and, secondly, that it would tend to lower the exchange permanently when it was added to the currency. Do you agree with that?—I do.

2721. And since the mints were closed to silver the rupee value of the imports of silver into India has largely been reduced?—Yes, till this last year, in which the reduction is smaller, but still considerable.

2722. Has not the rupee value of imports of silver fallen from about Rx. 12,000,000 to Rx. 6,000,000?—Below 6 millions in 1896-97.

2723. Roughly, it has fallen to about Rx. 6,000,000?—Last year it was 8 millions.

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2724. You will get the exact figures for us?—The values of the net imports have been:—1889-90, Rx. 10,937,876; 1890-91, Rx. 14,175,136; 1891-92, Rx. 9,022,184; 1892-93, Rx. 12,863,569; 1893-94, Rx. 13,719,818; 1894-95, Rx. 6,329,223; 1895-96, Rx. 6,582,222; 1896-97, Rx. 5,856,029; 1897-98, Rx. 8,473,481.

2725. Then would you say that the effect of the closing of the Indian mints to silver on the exchange has been as follows:—that in the first place it has tended to raise exchange, by leading to a reduction in the rupee value of the whole quantity of silver imported?—Yes.

2726. It may have prevented a fall of exchange, and you say it has prevented a fall of exchange, by preventing additions to the currency?—Yes.

2727. And it may have tended to raise exchange by causing a contraction of the currency, positive or relative?—Yes.

2728. Would you admit that the exchange of any country might fall or rise largely without any alteration in the quantity of the currency?—It might, by the operation of financial and commercial causes.

2729. You have admitted that the exchange is affected by financial and commercial causes?—Yes.

2730. Now, would you read the answer given by Mr. J. Beaton to questions No. 2297 and 2298 before the Herschell Committee?—He says the Brazil exchange went down between 1865 and 1869 to 14*d.* at one period; that was the time of the Paraguayan war. Then he is asked "That was an exceptional period?" and he says "Yes, and as the depreciation of the "exchange did not follow an increase of the incon- "vertible paper, there must have been some other "cause for the depreciation at this period. That "cause was the constant and heavy demand for "sterling bills, in consequence of the large purchases "of war material, and expenses of the army in the "field having to be paid in gold. It is generally "assumed that, the larger the amount of incon- "vertible paper which a country has, the larger will "be the depreciation of its sterling exchange, but that "was not the case in Brazil."

Adjourned.

SIXTH DAY.

Tuesday, June 14th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The LORD BALFOUR OF BURLEIGH.	SIR ALFRED DENT, K.C.M.G.
SIR JOHN MUIR, Bart.	MR. ROBERT CAMPBELL.
SIR FRANCIS MOWATT, K.C.B.	MR. EVERARD HAMBRO.
SIR DAVID BARBOUR, K.C.S.I.	MR. W. H. HOLLAND.
SIR CHARLES CROSTHWAITE, K.C.S.I.	MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

MR. JAMES FAIRBAIRN FINLAY, C.S.I., recalled and further examined.

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2731. (*Sir D. Barbour.*) You stated yesterday that though the Government of India propose to take power to reduce the currency by melting down rupees, they did not intend to act on that power unless they found it necessary to do so?—Yes.

2732. If exchange remained steady at about 1*s.* 4*d.*, and if gold came in you said they would not, or might not, think it necessary to melt down rupees?—I did.

2733. On the other hand, if exchange fell, and gold went out, supposing any had come in, they would proceed to melt down rupees?—Yes.

2734. And they would continue to do so until the exchange rose again?—That was my evidence.

2735. And I suppose it would be possible that after the melting down of rupees the exchange, that rose for a time, might afterwards fall?—It is quite possible.

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2736. And in that case, they would melt down rupees again?—When it began to fall.

2737. Always within the limits of the powers that they had taken?—Yes.

2738. Assuming that Government acted in that way, the melting down of rupees would go on somewhat in the same way as Mr. Lindsay proposes. His scheme is to sell bills on England when exchange falls to 1*s.* 3¾*d.*, and to melt down the rupees received for those bills?—Yes, the processes would be somewhat similar; but Mr. Lindsay proposed actually to melt rupees only if the amount of gold in the Gold Standard Office was not sufficient to meet the bills drawn on it.

2739. That melting down by the Government of India of rupees might be extended over a considerable period?—It might.

2740. Exchange might rise and fall again?—I do not think the Government of India expect that.

2741. But is it possible?—It is quite possible, but it is not probable. They expect that the scheme, when brought into operation, would establish exchange at 1*s.* 4*d.* pretty quickly.

2742. But if a larger amount had to be melted down, I understood that the operation would be spread over a considerable time. You do not propose to melt down the 10 crores all at once?—That is the maximum for one year.

2743. That is a considerable period, is it not?—It is.

2744. And you would have to get an Act of Parliament before you could carry out this operation?—You would require an Act of Parliament to borrow in sterling.

2745. You could not get that this session?—I think not.

2746. So that, probably before you could melt down 10 crores it would be two years from the present time?—Very likely.

2747. As a minimum?—Yes, of time.

2748. Now the object of melting down rupees is to effect a contraction of the currency?—Yes.

2749. Which you believe would affect prices?—Yes.

2750. Can you say within what time the reduction of the currency would affect prices?—No, I cannot.

2751. So that, although the Government of India began to melt rupees in order to raise exchange, it is not certain—it is not clear—that the exchange would rise immediately?—It is not.

2752. Is it not possible that the contraction of the currency might not affect prices for one, two, or even three years?—I suppose it is possible, but I think, probably, it would affect it sooner.

2753. We have no positive evidence on that point, and therefore we cannot say with certainty what the result would be?—No.

2754. Then the validity of the reasoning of the Government of India in their despatch of March 3 appears to depend on two things; first, whether there has been a rise in exchange since 1894–5, and, secondly, whether that rise is mainly, or in a material degree, due to the contraction of the currency?—Yes.

2755. As regards the rise of exchange, I believe there is no room for doubt?—There is no doubt of it. From 1894–95 up to 1897–98, there has been a very remarkable and very steady rise of exchange.

2756. And as regards the present year, so far as we have gone, there appears to be a prospect of a further rise?—It is keeping much steadier at this season than was generally expected.

2757. It is keeping higher than the average of last year at the same time?—Yes; for every year since 1894–95 each month has been higher than the same month in the preceding year.

2758. I wish to ask you whether the prospect, so far as we have gone in the present year, indicates a higher exchange than last year?—It does.

2759. The next important question would appear to be whether or not this rise in exchange is due to a contraction of the currency?—Yes.

2760. What evidence have you got that there has been a contraction of the currency?—In the first place, I would say that it is a reasonable supposition under the circumstances, the usual increase having been stopped.

2761. The usual increase having been stopped, it might be expected that the closing of the mints would produce in the course of time a certain amount of contraction of the currency?—Yes.

2762. I dare say you have seen Mr. Harrison's evidence?—No, I have not seen it.

2763. Do you know his estimate of the total amount of the currency?—Yes, it is 120 crores.

2764. His estimate for 1893 is 128 crores?—I think it was, 128 crores or a little more.

2765. That shows a fall of 8 crores; and his estimate for 1886 was 116 crores?—It was less than for the later years.

2766. There was a rise from 1886 to 1893, and from 1893 to 1897 there appears to have been a fall of 8 crores?—Yes.

2767. Then, as regards the other facts bearing on the contraction, there has actually been an addition of about Rx. 4,000,000 to the circulation, since the mints were closed?—Yes; 2 crores by the coining of silver which was taken over after the mints were closed, and 2 crores by the currency investment in 1896.

2768. I also understand from the despatch of the Government of India, that although some rupees came back to India after the mints were closed, there has, subsequently, been a net export of about Rx. 2,000,000?—About 1½ crores from October, 1893, to March, 1898, there was an import in the later months of 1897–98.

2769. Do you know where those rupees went?—Chiefly to Ceylon, I think, and to the Mauritius; perhaps some to Africa.

2770. Now, those rupees, put down as having left India, include only the large sums that were exported out of India by sea?—Yes, all sums shown on the invoices of the vessels carrying them.

2771. They are on the invoices of the vessels that carried them?—Yes.

2772. It might be the case that rupees would leave India in the pockets of passengers?—Yes.

2773. But that would be nothing of any importance?—That would be nothing very great.

2774. So far as you know, there is no reason for thinking that item to be of importance?—We have no reason to suppose that that is anything great.

2775. But if a man had been serving, say, in Africa or Persia, and was coming back to India, and the rupee had an artificial value in India, he would be likely to bring back rupees, in order to get the higher rate?—Yes, or he might get an order on India. And it is unlikely that such imports would now be any greater than they were before 1893.

2776. Still the tendency would be for the over-valued rupee to come back from the foreign country into India?—That is what was expected, certainly.

2777. It would be the natural thing?—So far as our returns go it has not occurred.

2778. But the money coming back in the pockets of the people in that way would not appear in your returns?—It would not.

2779. Then I think you expressed the opinion that probably some rupees had come out of hoards?—Yes.

2780. You could not say what amount, I imagine?—No.

2781. Did the amount appear to be large?—I do not think it has been large.

2782. Do you think it likely that the famine in the last two years might have caused rupees to have come out of hoards. Do you think distress would bring out money?—It is likely, but there is not much evidence of it.

2783. In former times the people did to an appreciable extent bring out and sell silver ornaments in time of famine?—Yes.

2784. And I suppose the presumption would be at the present day that a man would rather bring out

rupees than bring out his ornaments which he would have to sell at a much lower price than formerly?—Yes.

2785. On the other hand, do you think it is possible that many of the people of India may have gone on hoarding rupees just as they formerly did?—I think it is quite possible, and also probable.

2786. For example, a man of small means, who was in the habit of keeping 30, 40, or 50 rupees, might go on adding to them as he made money?—Yes. Personally I do not think that the habits of the people have changed in this respect in consequence of the closing of the mints.

2787. And the amount absorbed in that way might be something considerable?—It might. In fact the closing of the mints might give the native a greater inducement to hoard rupees if he knew that rupees had become more valuable.

2788. Do you think he would know that?—No, I do not think he would.

2789. Now, coming to the other side of the question, has there been any general fall in prices?—No.

2790. You are not aware of any fall in prices?—No.

2791. We know that prices are very difficult to deal with in India; the commodities which are generally bought and sold, are food grains, which rise and fall in price with the seasons?—Yes. For the last two years prices have been affected by the famine; I think myself that prices would have been higher during the famine, had the mints not been closed.

2792. The exchange has risen from 1*s.* 1*d.* to nearly 1*s.* 4*d.*?—Yes.

2793. Theoretically that would require a very considerable fall of prices, would it not?—Yes.

2794. I calculate the fall to be a little over 18 per cent.?—It would be something like that.

2795. Assuming, of course, that the rise in exchange was due solely to the contraction in currency?—Yes.

2796. You have already said that there has been in recent years considerable borrowing in England by India?—There has.

2797. And money has been raised in England by companies for expenditure in India, on the construction of railways?—Yes.

2798. That borrowing involved the remitting of money from England to India, or reduced remittances from India?—Yes.

2799. It would, therefore, to some extent, affect exchange?—It would, certainly.

2800. I cannot find in the despatch of the Government of India any allusion to that as a possible cause of a portion of the rise in exchange in recent years?—No, they have not mentioned that.

2801. Can you explain why they have not done so. Did they think it was of no importance?—No, but they thought that any effect that that would have would not be sufficient to counterbalance the lowering effect on exchange of the famine in the last two years.

2802. In the present year there is no famine?—There is not.

2803. But the borrowing still goes on?—Not to the same extent.

2804. Still it is large this year?—Yes, it is large.

2805. I find that the money to be borrowed by the Government in London this year is 2,615,000*l.*, and the net amount of money to be raised by railways, that are guaranteed, is 2,273,000*l.*?—Yes.

2806. Then there is a certain amount of money to be raised by companies that are not guaranteed?—Yes.

2807. Do you know how much they propose to raise?—I do not.

2808. I think it is at least 1½ millions. Do you consider that borrowing sufficiently large to materially affect exchange?—It would affect exchange.

2809. How do the Government of India make the calculation that the famine tended to lower exchange so much, and the borrowing tended to raise exchange so much, and that the one cause balanced the other?—They do not make the calculation.

2810. They do not even allude to borrowing in their despatch?—Not in their despatch.

2811. I dare say you are aware that some people say that the whole of the rise of exchange is due to borrowing?—Yes.

2812. And the Government of India were aware of that?—Yes.

2813. Nevertheless they did not mention the subject?—They did not.

2814. In his evidence, before Lord Herschell's Committee, Mr. Hardie put the whole of the remittances from India, excluding payments for imports, at 22,000,000*l.* sterling. I asked Sir James Mackay if he thought that figure was too high or too low, and his answer was that he thought it rather understated the amount. Do you agree with Mr. Hardie or with Sir James Mackay?—It is very difficult indeed to say. I do not know whether there is any means of getting at it. The only means I can think of would be to take, say, over a long series of years, the balance of trade of India, the Secretary of State's bills would account for so much of that, and the difference would give the private obligations corresponding to the Secretary of State's drawing.

2815. Of course, if there was remittance of capital to and from India at that time, which you did not know of, but which probably took place, that would affect the result of that calculation?—Anything of that sort would affect it in one way or the other.

2816. The drawings of the Secretary of State are about 17,000,000*l.* sterling?—They are.

2817. And then there are profits on tea gardens, profits on jute mills, interest on Government paper owned by people in this country, profits of merchants, savings of Government officials, money remitted for their families. Does 22,000,000*l.* sterling appear to you to be too high?—That would leave 5,000,000*l* sterling after deducting the Secretary of State's drawing. I think that is rather high than low. It is very difficult to get at the amount.

2818. But the amount over 17,000,000*l.* would be something very considerable?—It would be considerable.

2819. Now that amount of money, whatever it may be, has to be met by the surplus of exports over imports in the long run?—Yes.

2820. A great deal of that money might in any particular year be met by borrowing, but, in the long run, it has to be met by the surplus of exports over imports?—It must; excluding capital transactions again.

2821. I say in the long run?—Yes.

2822. Now, if the excess of exports over imports was not sufficient to pay that money in any year, that would be a sign that India was not fully meeting her liabilities in that year?—It would.

2823. In that case she must have met her liabilities by borrowing?—Yes.

2824. She is not bankrupt, and if she has not met her foreign liabilities by exports, she must have met them by borrowing in some form?—Yes.

2825. Now, if the contraction of the currency causes a rise of exchange, the way in which it operates, at least according to the generally accepted theory, is that prices in India would fall, and that the tendency of exports to increase, and imports to fall off, would bring about a rise of exchange. That is the mode of operation?—Yes.

2826. Will you look at the surplus of Indian exports over imports on private account in the years 1894–95 to 1896–97, and the rate of exchange? What is the surplus in 1894–95?—Rx. 37,246,000, and the exchange was 1*s.* 1·1*d.*

2827. Then what was the surplus in 1895–96?—Rx. 35,820,000, and the exchange was 1*s.* 1·6*d.*

2828. What was the surplus in 1896–97?—Rx. 23,850,000, and the exchange was 1*s.* 2·4*d.*

2829. Then in 1897–98?—Rx. 14,803,000, and the exchange was 1*s.* 3·4*d.*

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2830. During all that time the exchange was rising?—It was.

2831. And if it was the contraction of the currency that caused a rise of exchange, the mode of operation would be by increasing the exports and diminishing the imports?—Yes.

2832. That would lead, you would naturally expect, to a larger surplus every year or at any rate to a surplus that was not less than before?—Yes.

2833. If the contraction of the currency caused a rise in exchange, while exchange is rising from that cause, the surplus of exports over imports should tend to increase?—It should.

2834. But, in point of fact, the surplus has been diminishing during the last two years?—Yes.

2835. How do you account for that?—That is accounted for by the famine for the last two years. That famine caused a greater reduction in exports than in imports.

2836. Now I want to go back again to the borrowing. I have got here an abstract of the figures taken from the India Office return. In 1894–95 the Government of India paid off Rx. 1,172,338 of debt; in 1895–96 they paid off Rx. 584,812; in 1896–97 they borrowed Rx. 3,326,125; that is exclusive of the two millions from the currency reserve; in 1897–98 they borrowed Rx. 2,570,500. In 1898–99 the estimate of borrowing is Rx. 2,675,000. In addition the Government received the following sums from railway companies. In 1895–96, Rx. 163,800, in 1896–97, Rx. 328,200, in 1897–98, Rx. 704,800, in 1898–99 estimate, Rx. 1,440,000. Then, as regards borrowing, the Government and the guaranteed companies raised in 1894–95 2,339,765*l.* (that is in London). Then in 1895–96 they raised 939,133*l.* In 1896–97 they raised 2,720,901*l.* Then in 1897–98 they raised 10,138,281*l.* In 1898–99 4,888,300*l.* The companies that were not guaranteed raised in those years the following sums. In the calendar year 1894 475,927*l.*; in 1895 698,385*l.*; in 1396 1,849,444*l.* I have not got the figures for the two following years, but in 1897 for the six months up to the 30th June they raised 463,037*l.*, and this year they also intend to raise a considerable sum. Now do you think that that borrowing is sufficiently large to account for an appreciable proportion of the rise in exchange that has taken place since 1894–95?—Certainly.

2837. It would be impossible to say how much?—It would.

2838. Since the mints were closed the rupee value of the imports of silver has largely fallen off?—It has.

2839. We saw yesterday that it had fallen off from an average of about Rx. 12,000,000 yearly to about Rx. 6,000,000?—Yes.

2840. That is a reduced import into India of Rx. 6,000,000 worth of silver?—Yes.

2841. That would have an appreciable effect on exchange?—Yes.

2842. And the borrowing which we have seen is decidedly large, would also have an appreciable effect on exchange?—It would.

2843. There has been also a contraction of the currency which may have had an effect greater or less?—Yes.

2844. Then how is it possible under the circumstances to take the total rise in exchange and divide it between those three causes, the reduced import of silver, the higher borrowing, and the contraction of the currency?—I think it is very difficult to divide it.

2845. Is it not impossible?—I could not suggest any way of doing it.

2846. In their despatch the Government of India mention only the contraction of the currency?—Yes.

2847. Now what do you consider to be the cause of the high rate of discount in India, in the last two years?—I consider it is the diversion of currency from the Presidency towns. Capital has also been transferred from India.

2848. How has it been diverted from the Presidency towns?—The famine expenditure has taken away a great many rupees, and also the war expenditure, and the railway expenditure.

2849. Take the famine expenditure; how was money found for the famine expenditure? Was it partly found from the revenue of Government?—It was entirely found from the Government revenue.

2850. Without borrowing?—Well there was a deficit in the year.

2851. And there was borrowing to meet that?—There was borrowing on the whole account.

2852. Assuming that the Government raises revenue and spends it in the relief of famine, would that affect the rate of discount in India; does it affect the supply of loanable capital?—Very much.

2853. In what way?—The Government borrows.

2854. But I say, assuming that the Government raises revenue and spends it in relief of famine, would that raise the rate of discount?—The revenue after collection is usually sent to head-quarters and kept in the Presidency towns to a great extent, and so made available for trade.

2855. Only to a limited extent?—All the surplus is made available by being offered to purchasers of Council bills.

2856. The expenditure on famine, you think, has helped in this way to cause a rise in the rate of discount?—Yes.

2857. The Government have sold fewer Council bills, and you think that is part of the cause of the rise in the rate of discount?—It is.

2858. Also there has been considerable borrowing by the Government in India during the last two years?—There has been borrowing.

2859. Considerable borrowing. In 1894–95 they paid off Rx. 1,172,000. That increased the supply of capital, did it not?—Yes.

2860. Then in 1895–96, they paid off Rx. 421,000 allowing for the receipt of capital raised by railway companies?—Yes.

2861. That increased the supply of capital?—Yes.

2862. And in 1896–97, they borrowed, including capital paid in by railway companies Rx. 3,654,000; in 1897–98, Rx. 3,275,000., and for the present year they estimate Rx. 4,115,000. That was a considerable drain on the capital in India?—It was.

2863. I do not know whether you recollect that the old principle on which the Finance Department of India acted was that you could not economically raise more than Rx. 2,500,000 in the Indian financial market year by year?—I thought it was 3 millions.

2864. At any rate, these borrowings for the two years, and the estimate for the present year, comes to rather more than what used to be thought the maximum that could be economically raised?—Yes.

2865. The Indian market for capital is very limited?—Yes.

2866. When rupees were borrowed in India in the old days a portion of that money used very frequently to come from London?—Certainly.

2867. I do not know whether you recollect a statement showing that about half of it came from London?—I thought it was more than half.

2868. Do you know whether this money that was borrowed in 1896–97 and 1897–98, has come from London to any extent?—I think it did in both years.

2869. In so far as money came from London, it did not impose any strain on the Indian money market, but so far as it came from London, it was another cause tending to raise exchange—the money having to be remitted from London?—Yes.

2870. I believe it was originally intended in 1897–98 to borrow Rx. 1,000,000 more than was actually borrowed?—It was intended to borrow Rx. 4,000,000 but the loan issued was for Rx. 3,000,000 only.

2871. How was that?—Because the Government was anxious not to put too great a strain upon the Indian market.

2872. In fact the supply of capital in the Indian market was short?—It was, and we also raised the rate of interest. We intended to raise the loan at

3 per cent. last year, whereas in fact we raised it at 3½; we were afraid we should not get it at 3.

2873. The short supply of capital raised the rate of interest as it raised the rate of discount?—Yes.

2874. Now I want to ask you a few questions about the effect on exchange of different investments of British capital in India. I will first take the case of tea gardens. If 1,000,000*l.* of British capital were sent out to India to be invested in tea gardens, the remittance of that money to India for the time being would raise the rate of exchange?—Yes.

2875. After the tea gardens have been established the whole produce of the tea gardens practically is exported from India?—Yes.

2876. The tea is not consumed in India to any appreciable extent?—No.

2877. That would involve an addition to Indian exports?—It is.

2878. And ought to favourably affect the rate of exchange?—It ought.

2879. And no doubt does?—It must.

2880. So that if more tea gardens are established with British capital in India—the permanent effect is not to put down the rate of exchange, but to keep it higher than it otherwise would have been?—It is.

2881. I suppose the same thing would hold good with respect to jute mills and cotton mills?—Yes.

2882. Cotton mills produce goods for export, but partly for local consumption?—More for local consumption.

2883. So far as they produce for local consumption they diminish the imports of cotton goods. That is to say, instead of India buying cotton cloth from Manchester, it is made in India?—Or rather it meets a demand which Manchester does not supply, which Manchester might have supplied but for local production.

2884. So that the establishing of cotton mills in India, even though it be with British capital, has a distinctly favourable effect on exchange by diminishing imports and increasing exports?—Yes.

2885. Now I want to take the case of money borrowed in this country for unproductive expenditure in India, such as a war. The interest on that money would have to be paid in England?—The interest would have to be paid in England.

2886. And the payment of that interest would have an injurious effect on exchange?—It would.

2887. The war not increasing either the exports or imports?—No.

2888. Now I want to take the case of a railway. If money is raised in this country and spent on a railway in India, it is very probable that the railway would increase the exports from India?—It is.

2889. And afford greater facilities for the transport of Indian produce to the coast?—Yes.

2890. It might also and probably would, to some extent, increase imports?—Yes, by providing the same facilities for trade from the coast.

2891. The interest on the capital would have to be paid in London?—Yes.

2892. So whether the railway affected exchange favourably or unfavourably would very much depend upon the balance between these three different items—the exports, the imports, and the interest?—It would.

2893. A railway made in India with British capital might have a favourable effect on exchange?—It might.

2894. Or it might have an unfavourable effect?—It might.

2895. It would depend on the circumstances of the railway?—Yes.

2896. The famine, I think, began to be felt in India in 1896-97?—Yes, in October 1896.

2897. And in the same year the increased rate of borrowing in England began?—Yes.

2898. That was the year in which the rate of exchange showed a marked tendency to rise?—It was.

2899. And the higher rate of borrowing began in India in 1896-97?—Yes.

2900. That was the year in which the rate of discount in India rose?—It was—in November and December 1896.

2901. And it was in 1896-97 that the marked reduction took place in the surplus of Indian exports over Indian imports?—Yes from 35 crores to 23 crores.

2902. So that all these things appear to have started into being in 1896-97?—Yes.

2903. (*Sir C. Crosthwaite.*) The Government of India have received complaints from the centres of trade in the Presidency towns; they have had complaints of the contraction of the currency; and the stringency of the money market, and the high bank rate have been attributed to the contraction of the currency?—Yes.

2904. Has the Governmant of India received any complaints from the interior of the country of the same kind?—No, I think not.

2905. Have any of the provincial governments complained that the land revenue was more difficult to collect on account of the contraction of the currency?—They have not.

2906. The rate of interest is very high in the interior, as a rule, compared to the Presidency towns, is it not?—In petty transactions it is. The village money lenders' rate of interest is high.

2907. My object in asking you this is to find out whether there is any information as to the effect of the closing of the mints on the agricultural population. That was the reason why I referred to petty transactions of that kind—small transactions to enable a man to pay his rent or to pay his revenue. You know that a good deal of borrowing takes place as a matter of habit almost and custom; anyhow, it is a matter of very common practice to borrow money to pay rent and to pay revenue?—It is.

2908. Have you any idea at what rate money is borrowed for those purposes?—I think a good deal higher than the rates in the Presidency towns.

2909. Do you know that at the times at which rent and revenue are collected the rate charged to the agriculturist is higher than at other times of the year?—I believe it is.

2910. That is a normal thing?—It is.

2911. (*Chairman.*) Are these loans for very short periods?—Yes, on the security of the crops.

2912. (*Sir C. Crosthwaite.*) Or it may be on other securities?—Yes.

2913. (*Sir D. Barbour.*) For the purpose of enabling a man to pay his revenue before the crop is ready to come into the market?—Yes.

2914. That very high rate is not continued for the whole year?—I believe it is not.

2915. What I want to know is, have the provincial governments or their officers reported complaints from the people that since the closing of the mints these rates have been raised?—I have not heard of that.

2916. Now, I would ask on what grounds the redundancy of the rupee has been asserted. What is the basis of the Government of India's opinion that the rupee is redundant?—You mean redundant with reference to a rate of 1*s.* 4*d.*?

2917. Yes, with reference to a rate of 1*s.* 4*d.*?—There are more rupees in existence, they say, than are consistent with a rate of 1*s.* 4*d.*

2918. But do they base that on the mere fact that the exchange will not keep at 1*s.* 4*d.*?—Yes.

2919. Is it possible to say that the rupee, although redundant with reference to 1*s.* 4*d.*, is not redundant with reference to 1*s.* 3*d.*?—It is not possible to say it with reference to any particular rate. If you go low enough, you would certainly come to an exchange at which the rupee would not be redundant.

2920. It is merely because it does not go to 1*s.* 4*d.*?—Yes.

2921. Do you think it would be possible to cause great inconvenience in the country before you got to 1*s.* 4*d.* I suppose the currency can be redundant with reference to a rate, and yet not redundant with reference to the transactions of the country. A certain amount of rupees, especially in a country like India—

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a certain amount of actual coin, may be necessary for carrying on the business of the country. Is that so?—I suppose so. But the transactions would accommodate themselves through prices to a reduced currency.

2922. Then, do you think it is possible that there might be great inconvenience in the country caused by the actual want of coin, and yet the sterling value of the coin might be less than the point at which the Government of India was aiming?—I suppose it is possible, but there is no reason to believe that that is so. There have been no complaints of actual difficulty in getting rupees.

2923. How would it appear that it was so? When would you know that things were getting to that danger point at which you would cause great inconvenience to the country by the contraction of the currency?—If the payers of rent and land revenue found difficulty in getting rupees to discharge their liabilities, and if the merchants could not get credits to carry on their business.

2924. The merchants do say that that has occurred?—They do.

2925. What is the Government of India's answer to that?—That that has been caused by the diversion of currency from the trade centres to up-country places where it is not available for trade.

2926. And the fact that no such complaints have come from up-country places and the interior might so far support the Government of India's views?—Yes, it is merely a diversion of currency.

2927. (*Chairman.*) Are you able to answer the question: Has or has not the Government of India received any complaint whatever with reference to a stringency of the currency in the internal agricultural districts?—It has not, so far as I know.

2928. You, speaking for the Government of India, say that you have not received any official complaints?—That is so.

2929. If such a stringency had existed, would you not, with the machinery of the Government of India, have received such complaints?—I think we should.

2930. (*Sir A. Dent.*) I should like to ask you one or two questions upon the despatch of the Government of India to the Secretary of State dated 3rd March. In paragraph 21 the Government of India say "the "amount of coin required for needs of commerce "increases every year"?—That is so.

2931. Then is the Government justified in deliberately stopping the supplies of the coin?—Not permanently, but the Government of India have not done that permanently, they are only in a transition state now. When we get the gold standard established there will be an automatic increase as required by trade.

2932. Anyhow, it has intentionally forced this coin very materially above its intrinsic value?—It has.

2933. And is it not rather the fact that the export trade is largely contributing towards that factor. It is said that the Government have saved some nine millions; is not that largely paid for by the exporters of tea, for instance?—By the exporter and the importer—the whole of the trade, the general taxpayer and the whole community.

2934. You say the importer as well pays it?—The whole trade and the whole community.

2935. Then there is a suggestion for melting down rupees. Would not such melting down of rupees have a very disastrous effect on the price of silver?—It might have some effect.

2936. And would it not also cause great consternation in the mind of every native holder of rupees?—I do not think so. I see no reason why it should.

2937. The Government maintain in another paragraph that they are under no obligation to consider the price of silver?—They say "Even if they were under an obligation."

2938. But how can they say that when it is the component of the whole of their currency at present, and must always be the paramount part of their currency?—They hope they have made the value of the rupee independent of silver. But they are talking more of the general market in that paragraph that you have quoted.

2939. It is said that they propose to borrow gold in London?—It is.

2940. Would it not be possible to accumulate gold in other ways, say, for instance, by making duties payable in gold?—It would, or by buying gold in India.

2941. Is it not the fact that Russia requires a great deal of her duties to be paid in gold?—Yes.

(*Chairman.*) You mean Customs duties?

2942. (*Sir A. Dent.*) Yes. If India acquired gold in that way by a slower process than is now contemplated, would not that avoid the necessity of going to Parliament?—It would. It would not be necessary to go to Parliament to say that the import duties should be levied in gold; but it would be very undesirable to do so, and specially so until gold was declared legal tender.

2943. Is it necessary to go to Parliament to declare gold legal tender?—No, the Secretary of State could sanction that without going to Parliament.

2944. At the end of paragraph 21 there is a comparison with France?—Yes.

2945. But is it fair to compare India with France, who holds such large stocks of gold and silver in her vaults? According to the return at the end of May there was in the Bank of France 74,800,000*l.* in gold, and 49,000,000*l.* in silver?—France has a much larger stock of gold than India is ever likely to require, and gold would not go into circulation in India to any appreciable extent, whereas it does in France.

2946. How do you say that it goes very largely into circulation in France, when there are such enormous accumulations in the Bank of France itself?—I understand that it is in general circulation in France, nearly to as great an extent as the five franc pieces.

2947. (*Mr. Campbell.*) There are notes issued against it?—Notes are not issued specially against gold in France, I think. It is against gold and silver together.

(*Chairman.*) On page 23 of the Herschell Committee's report, there is this passage: "The notes "of the Bank of France are convertible into gold or "silver at the option of the bank. The bank pays "gold freely for home use, but if gold is required in "large quantities, especially for exportation, special "arrangements must be made. There is no difficulty "in maintaining the silver or the notes at their gold "value."

2948. (*Sir A. Dent.*) Do you still think it is quite fair to compare India with France?—I think so, but the comparison here refers to the kind of gold standard proposed for India. We shall have a gold standard with the token coins legal tender to an unlimited amount. That is the comparison that is made. We should have the same kind of gold standard as they have in France.

2949. When the Government melt the rupees—if ever they do so—is it not contemplated to sell that silver in India?—It is.

2950. The Viceroy in his despatch apparently reckons very largely on the support of the Bengal, Madras, and Bombay Chambers of Commerce?—He does.

2951. Do you believe that their support will still be accorded to the scheme?—I have heard that it will not be, as regards the particular proposals of the Government of India, but as regards the main object of passing to a steady exchange and a gold standard, I believe it will be. I have not heard anything to show that the chambers have gone against that. They do differ as to the best method of attaining that object.

2952. I suppose you would admit that there is a good deal of difference between the merchants who are concerned in the exchange and the planter who is concerned in the exchange?—Yes.

2953. The merchant, I take it, does not care much what the exchange is?—So long as it is steady.

2954. But that does not apply to the planter. The high exchange is very much against him?—For a time. It is only temporarily.

2955. Therefore the merchants' interest is not always quite the same as the planters' on questions of exchange?—Not just for a short time, but permanently I should say they are identical, and that both of them would do much better if they had a steady exchange.

2956. (*Mr. Holland.*) We heard from a witness the other day that some of the native mints were still open to the coinage of silver?—Some of them are—a few.

2957. Can you tell me, as a matter of information, if their rupees have a circulation beyond their own territories?—Very slight, only on the borders, if at all.

2958. Are you free to say how the native rulers regard the currency proposals of the Government? Have you had any expression of opinion from any of them?—Well, I can only say that two native States, Bhopal and Kashmir have, since the closing of our mints, deliberately determined to adopt the British rupee.

2959. That might be done as a policy of self-defence, without implying an agreement with the Government currency proposals?—But if their own currency is better why should they adopt that policy in self defence? If they thought their own was a better currency, they would not have changed it.

2960. But is it not conceivable that the action of the Government might compel them to take a certain line?—You mean being comparatively small states in the middle of a large territory.

2961. They might find it to their own interests under the altered circumstances, to take a certain line, whereas they would not have done so if the circumstances had remained unchanged?—The inconvenience of the different currency was not so great when both currencies were based on silver.

2962. I do not understand whether you have given a direct answer, yes or no, as to whether the native rulers may be regarded as a whole as looking with favour on the proposals of the Government?—I have not heard of any approval or disapproval.

2963. You admit that by a contraction of the currency exchange has been raised—that that has been one of the factors in the rise in exchange?—That has been one of the factors.

2964. And I think you have admitted that by a still further contraction it would be likely to go higher still?—Yes.

2965. Do you admit that the Government is the gainer by a high rupee?—It will pay fewer rupees for its sterling expenditure with a high rupee than with a low rupee.

2966. Do you admit that India's greatest industry, which I suppose is agriculture, is a loser by a high rupee?—It is alleged that the agriculturists have been gaining by the continuous fall, because their land revenue and rents were fixed when the rate of exchange was higher. All that has happened, or will happen, will be to prevent their getting a still further gain; to stop the gain that they have been making through changes in the value of the rupee after their contracts were fixed. If the contracts had been fixed at a later date when prices had adjusted themselves to the lower exchange they would not have made that gain.

2967. Supposing they are, rightly or wrongly, gainers by a fall, then, conversely, we may suppose that they would be losers by a rise?—Yes, losers of the gain that they might otherwise have made.

2968. (*Chairman.*) I should like to get that clear. What is your starting point? The land settlement in India lasts for 30 years?—That is the usual term.

2969. The great bulk of the land settlement now in existence must have been fixed at a time when the rupee was much higher?—Yes; very few of them were fixed when the rate was as low as 1*s.* 4*d.*

2970. Therefore, supposing there was a fixed rate of exchange putting it back at 1*s.* 4*d.*, that would involve no injustice to the tenant. He would still be paying less land revenue than was fixed at the time of the settlement?—Exactly. Less land revenue than would have been levied if the present rate of exchange with the corresponding level of prices had prevailed when the settlements were made.

2971. (*Mr. Holland.*) Then if it could be established that the Government were the gainer, and that agriculture was a loser by a high rupee, it would follow that the interests of the Government of India would lie in one direction, and the interests of agriculturalists in another?—The Government must take account of the interests of the whole country, and strike a balance. If there are interests which happen to clash with the general interest, they must give way. But in the case you mention, the Government do not believe that that is any conflict of interests.

2972. Undoubtedly that is the highest function of government. It would not do for merely official interests to outweigh agricultural or other important interests?—No. The Government would not propose that. And they do not believe that their proposed measures would cause any injury to the agricultural industry.

2973. You admit that it is a serious undertaking for a government to link together two metals whose value, when they are left to themselves, is constantly changing?—It is a difficult matter; but what is proposed, is to link together gold and a limited number of silver rupees.

2974. In your opinion, do the difficulties and dangers of giving a fixed value to the rupee increase with the divergence between its currency value and its intrinsic value?—Once we have got the rupee fairly separated from silver, it is no longer dependent on silver. We make the rupee a simple token coin.

2975. It seems to impose a greater responsibility on the Government to maintain it, does it not?—We continue as a token the silver coin which was in existence before; and by making it a token we make its value independent of the metal in it.

2976. You admit that if rupees are to be withdrawn and melted down and sold as bullion, the tendency of that would be to decrease the price of silver in the open market?—It would during the period in which the bullion was being sold.

2977. And to that extent the tendency would be to increase the disparity?—It would.

2978. In paragraph 20 of the Government of India's proposals, a policy is contemplated of restricting silver on the one hand, and holding fast to gold on the other?—That is until the gold standard is thoroughly established. When it is thoroughly established there will be no need to hold fast to gold, when the rupee is firmly fixed at 1*s.* 4*d.*

2979. Still it has not a very good sound in the trader's ears, has it, to talk of restricting silver and holding fast to gold? You admit that a full supply of currency is necessary for helping trade and stimulating enterprise?—It is.

2980. And that a deficiency in the supply would hamper trade, and kill enterprise?—Yes; but the restriction proposed is only temporary, till the greater benefit of having a fixed exchange and a gold standard is secured.

2981. I should like to know if you agree with a paragraph that appears in a copy of the despatch addressed by the Court of Directors to the Governments of Bengal and Madras, dated 25th April 1806 (it is going back a long way), dealing with the currency of India. This is the paragraph I refer to: "Our "gold coin should not be forced into circulation at a "fixed value in regard to the silver coin, but left to "find its own level, according to the usefulness it "may possess as a coin being issued according to the "market value of the metal." I presume you differ from that entirely?—It is quite impossible to have both metals legal tender without having a fixed ratio between them.

2982. Do you think if you accumulated a gold reserve you would be able to control the location of

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that reserve; that is, whether it shall be here or in India?—I think so, if you establish it in India.

2983. That being so, I take it you also differ from another paragraph in that same despatch, which reads as follows:—"It must be remembered, no regulation "or expedient can be devised to keep the coin in any "country where the balance of trade is against it." Do you differ from that?—You cannot keep coin which circulates at the value of the metal contained in it; but token coins do not go out to balance the trade. Of course there would be the risk of the gold entirely disappearing if enough of it were not accumulated.

2984. (*Mr. Hambro.*) You say that one of the objects you hope to obtain by the contraction of the currency is the raising of the price of the rupee—the exchange value of the rupee?—Yes.

2985. Suppose that the exchange value was 1*s.* 3*d.*, and you contracted the coinage enough to drive it up to 1*s.* 4*d.*, and suppose that all things were the same on this side—I mean prices of freights and so on—would not that be equal to a 7 per cent. tax on all production?—It would be making the rupees paid in payment of taxes more valuable. In all business transactions fewer rupees would be paid and received in proportion to the increase in the value of the rupee.

2986. Would it really mean a tax that the taxpayer perhaps did not see, but really a hidden tax on all the production of every farmer and everybody in India to the extent of 7 per cent.?—On everyone who had to pay to the Government taxes of an amount fixed in rupees before the change in value occurred.

2987. You say the contraction of the rupee would drive it from 1*s.* 3*d.* to 1*s.* 4*d.* That can only be done by the producer selling his products so low because he wants rupees, and the only way in which he can get rupees is to sell his products at a low price—that it will bring back gold from London for which he can exchange rupees?—Yes.

2988. Is not that virtually a 7 per cent. tax on all production from the soil—hidden, not exposed as a tax, but still a tax that the producer has to pay?—No; each rupee received would be more valuable, and the producer would find that they would go further in his purchases, payments of wages, &c.

2989. The loss to the Indian Government between 1*s.* 3*d.* and 1*s.* 4*d.* on its remittances home comes to about what?—Under two crores, Rx. 1,600,000.

2990. Call it two crores. What do you think would be the loss to India on a 7 per cent. tax on the whole production of India?—I suppose it would be very great.

2991. There is one counterbalancing thing it seems to me. It would cheapen imports to the extent of 7 per cent.?—Yes, it would lower all prices.

2992. (*Sir D. Barbour.*) Suppose that the exchange rises from 1*s.* 3*d.* to 1*s.* 4*d.*, and that that leads to a general fall of prices proportionately, then every man who produces anything which he has to sell gets less for it?—Yes.

2993. If he has got anything to buy he pays less for it?—Yes.

2994. And, as the purchases and sales in a country always equal each other, because you cannot sell anything without somebody buying it, the loss might balance the gain on the whole?—Yes.

2995. (*Mr. Hambro.*) The loss balances the gain. You said that the Government borrowing would make money dearer; but if Government borrow from X., and pay it out to Y., I suppose it would only make it dearer during the time that it was in transit from the place of borrowing to the place of paying?—Yes, provided Y. is ready to lend it out as soon as he receives it.

2996. (*Mr. Campbell.*) In considering this question the Indian Government have to keep in view the sale of their Council bills?—They have.

2997. I mean the Indian Council requires to draw a normal amount of 17 to 17½ millions annually to provide for its home charges, and it is on their success in doing this at not under 1*s.* 4*d.* that the establishment of 1*s.* 4*d.* rate would depend?—Yes.

2998. The 15 rupees to a sovereign is equal to 1*s.* 4*d.*, and with shipping charges added sovereigns make a remittance to India at about 1*s.* 4⅛*d.*?—Yes.

2999. Then nobody would remit to India at 1*s.* 4⅛*d.* while he could get Council bills at 1*s.* 4*d.*?—No.

3000. So that the success of the scheme depends, in the first place, on the Government's ability to sell the whole of its Bills at not under 1*s.* 4*d.*?—Yes.

3001. In the five years succeeding 1893 they did not succeed in doing that, and practically no sovereigns have gone to India for currency purposes?—That is so, with a trifling exception.

3002. The Government of India endeavoured to hold for a high rate in 1893, and for a time refused to sell their bills under a certain limit; but the attempt to keep up exchange failed and they had to accept market rates?—They did.

3003. The result of selling these Council bills during those years is as follows. You can correct me if I am wrong, but I think I am right. In 1893–94 the sales were 9,530,000*l.* at an average of 1*s.* 2·54*d.*; in 1894–95 were 16,905,000*l.* at 1*s.* 1·10*d.*; in 1895–96 the sales were 17,664,000*l.* at 1*s.* 1·64*d.*; in 1896–97 the sales were 15,527,000*l.* at 1*s.* 2·45*d.*; in 1897–98 the sales were about 9,000,000*l.* net at 1*s.* 3·40*d.* So that in the two years when they sold their full quota of bills the rate was very much below 1*s.* 4*d.*?—In 1894–95 and 1895–96.

3004. Am I right in saying that the Government attribute their failure mainly to two causes, redundancy of currency and want of confidence in the stability of exchange?—Yes.

3005. Now as regards redundant currency. It is generally admitted, is it not, that the currency was redundant in 1893 and for some time after that?—It was, with reference to a rate of 1*s.* 4*d.*

3006. And this was apparent from the large accumulations of cash in the Presidency banks, that was one evidence of it, was it not?—There had been heavy imports of silver which was not wanted for immediate trade purposes, and which accumulated in the Presidency towns.

3007. But there has been a gradual contraction going on ever since, from various causes, such as the melting down of rupees, and the export of rupees and so forth. I think Sir David Barbour got from you that there had been a contraction from 128 crores in 1893 to 120 crores at the present time.

(*Sir D. Barbour.*) That was Mr. Harrison's estimate.

3008. (*Mr. Campbell.*) We see that at the present moment the cash balances in the Presidency banks are very low and the rate of interest is very high. Would that be against the theory that currency is redundant in those centres?—It is not redundant in those centres. The high rate of discount shows that there is less available currency in the Presidency towns than is wanted for trade.

3009. Then you say there is redundancy of currency elsewhere than in the Presidency towns, is that it?—On the whole, throughout India.

3010. I think you say that redundancy may be absolute or relative?—Yes.

3011. Does that mean that, while the currency may be actually diminished in volume, circumstances may have made it relatively redundant or redundant in relation to trade requirements?—Yes.

3012. It is a question of a high or a low rate of exchange. You say that currency may be redundant at 1*s.* 4*d.* but may not be redundant at 1*s.* 2*d.*?—That is so.

3013. Then according to that, would not a rise in exchange which would cause currency to be redundant be followed by unemployed money becoming more abundant, more plentiful?—You mean if it was a rise accompanied by a fall in the rate of interest or in the rate of discount.

3014. You say a rate of 1*s.* 4*d.* would make currency redundant, whereas it would not be redundant at 1*s.* 2*d.* Then would not the rise from 1*s.* 2*d.* to 1*s.* 4*d.* imply that currency had become comparatively more plentiful and could not be employed to the same extent. Would a fall in exchange for the same reason be followed by money becoming dearer or scarcer?—Do you mean accompanied by a rise in prices?

3015. Yes. Unemployed money would become scarcer, would it not, a rise in prices would mean that more money was required for the trade of the country?—Yes.

3016. Then has your observation shown you that these effects follow. Have you found that when exchange was rising money became more abundant, and when exchange was falling money became scarcer?—No, the rates of discount have varied when exchange was falling, and when it was rising, in much the same way, according to the seasons of the year and the requirements of trade.

3017. Have you not rather found the contrary to be the case, that a rise in exchange was more often than not accompanied by dearer money?—Yes.

3018. And that when the mints were open a rise in exchange was accompanied by heavier shipments of silver for coinage?—Yes.

3019. If a rise of exchange meant redundancy of currency——?—But the shipments of silver were often very great when exchange was falling too.

3020. But you said that when the mints were open a rise in exchange was accompanied by heavier shipments of silver for coinage?—Shipments of silver were more heavy in 1892–93 when exchange was falling, I think.

3021. At the seasons when exchange is rising, as a rule, are not the silver shipments heavier?—I think they are.

3022. On the theory of the effect of a rise or fall of exchange on the redundancy or otherwise of currency, such movements would be opposed to the natural order of things?—Such movements of silver are determined by the possibility of profit from the operation.

3023. Such movements as large shipments of silver to replenish the currency when exchange was rising, and a high rate of interest at the same time?—The high rate of interest and the shipment of silver show the large trade requirements of the time.

3024. Then that means that currency is not redundant?—That currency available for use as capital is not redundant.

3025. If a shrinkage of currency has been going on for the past five years, would it follow that currency was less redundant now than it was 18 months ago, exchange being at the same level now as it was then?—It would. With reference to the foregoing questions, I wish to explain that it is not alleged that a rise in exchange causes a redundancy of currency. What is meant is that if the token rupee is to be of a higher value, the number of rupees must be less; the number consistent with a value of 1*s.* 2*d.* will be excessive for a value of 1*s.* 4*d.*

3026. (*Chairman.*) You have admitted Mr. Campbell's argument; but is it the fact that currency is less redundant to-day than it was 18 months ago?—Less redundant.

3027. You say it is?—I do.

(*Sir D. Barbour.*) It is the argument of the Government of India that the redundancy will gradually decrease.

3028. (*Mr. Campbell.*) Are you aware that in December 1896 there was great monetary stringency in India?—There was.

3029. So much so that a financial panic was feared?—It was.

3030. And are you aware that at that time the Government took the unusual step, in order to ease the situation, of creating a fresh issue of two crores of currency notes?—They increased the amount of notes issued without the deposit of rupees in the currency reserve, thus releasing two crores of rupees from the reserve; but that had been in contemplation for some time before.

3031. But was not this a strange step to take if the currency were already redundant?—They were dealing with the currency investment as a matter separate and apart from their currency policy. They found that the note circulation had increased. The policy is to put the investment of the currency reserve at as high a figure as is consistent with safety, that is, with the certain payment of all notes likely to be presented.

3032. But is it not within your knowledge that the reason they did it at the time was to ease the financial situation?—That was the reason they hurried it on and passed it specially quickly.

3033. The currency at the time, according to the Government theory, being redundant?—That was a month in which the famine had caused the land revenue collections to fall short by a crore, and the Government balances were low; when they were replenished by the addition of the two crores more Government money was placed in the presidency banks.

3034. Now, in the present stringent situation of money in India, have you any doubt that another issue of two or three crores of fresh currency would have the effect of relieving the stringency?—If it had been done last year?

3035. If it were done now?—Yes, if it were made available in the Presidency towns.

3036. Does not that indicate that it is more currency that is wanted at present, rather than less?—You could not have more silver currency without involving a fall in exchange.

3037. Then there is the question of want of confidence. The Government say, do they not, that exchange will not go to gold point, because whenever it approaches that rate English capitalists are eager to send their money home?—Yes.

3038. Do you consider that an indication that 1*s.* 4*d.* is thought to be a high rate?—I consider it an indication that the public do not yet believe that the Government will succeed in their policy of establishing the gold standard. I do not think it is in reference to a particular rate. I believe it would be the same thing if the rate aimed at were 1*s.* 3*d.* or 1*s.* 2*d.*

3039. If capitalists were persuaded that 1*s.* 4*d.* was a rate justified by ordinary trade conditions, would they be so anxious to send their money home from Calcutta, where it is worth 12 per cent., to London, where it is worth two or three per cent.?—If they were persuaded that the Government would succeed in their currency policy and establish a fixed rate of exchange, they would not wish to send their money home, but would retain it in India to earn the higher interest. The trade will adjust itself to any steady rate, 1*s.* 3*d.*, or 1*s.* 2*d.*, or 1*s.* 4*d.*

3040. At the present time does it not seem to show that merchants do not believe that under ordinary trade conditions 1*s.* 4*d.* can be maintained?—I do not think their want of confidence is in reference to the particular rate adopted.

3041. But if it was thought that natural trade influences would support the 1*s.* 4*d.* rate, would not the want of confidence disappear?—If they thought the 1*s.* 4*d.* rate was going to be established.

3042. But natural trade influences ought to keep it up. They are in doubt whether the Government are going to establish a 1*s.* 4*d.* rate; but does not want of confidence indicate that they cannot see that natural trade influences would maintain it?—But if the policy of the Government were reversed to-morrow, and the mints were opened, nothing could maintain it at 1*s.* 4*d.*

3043. It is a question of want of confidence?—Yes; it is a question of confidence.

3044. Does not it show that, unaided, trade will not support 1*s.* 4*d.*—unaided by the Government?—I do not think the want of confidence has anything to do with the rate.

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3045. Is it not on natural trade influences that the maintenance of the rate must depend in the long run? If the Government scheme is carried through, is it not on natural trade influences that the maintenance of the rate must depend?—The rate will be maintained through the balance of trade. The balance of trade will adjust itself to any rate.

3046. I think you admitted to Sir David Barbour that the rate of exchange would have the most important effect on the balance of trade?—Or rather that the balance of trade had a most important effect on the rate of exchange.

3047. What is the difference?—The one is a cause.

3048. It seems to me very much the same thing. If at 1*s.* 2*d.* you get a certain balance of trade, and if at 1*s.* 4*d.* you get a smaller balance of trade, that means that exchange has an influence on trade—on the trade balances?—I would rather say that it was the trade balances that had caused the alterations in exchange.

3049. Does it not come to the same thing?—They go together.

3050. If a high exchange means a low trade balance, a low exchange means a high trade balance. The two act on each other?—You mean a higher excess of exports over imports?

3051. Yes?—I do not think that depends on the rate of exchange.

3052. I think that you admitted that a higher exchange tended to check imports and a lower exchange tended to stimulate exports?—Yes, for a time, not permanently.

3053. There are always changes and fluctuations going on, and they always act, do they not?—Yes.

3054. Then, Government ask for sovereigns to be sent to the Treasury in exchange for 15 rupees each?—They say they will accept them. They do not ask for them.

3055. Are you aware that during the last five years the rupee price of gold in India has never fallen to the equivalent of 15 rupees per sovereign?—It has not.

3056. A higher price has always been obtainable in the open market?—Yes.

3057. And India has imported gold to a large extent at a higher price?—It has, but not every year. In one out of the five years there was a net export.

3058. During the last year, 1897, they have imported considerably. Would you consider that an indication that gold is undervalued at 15 rupees to the sovereign?—It is certainly undervalued so long as the rate of exchange is under 1*s.* 4*d.* The Government offers a lower price than the market.

3059. The market will give 15½ rupees while the Government will only give 15 rupees?—15 rupees 4 annas or 15 rupees 5 annas.

3060. Then may I take it that the present proposals are intended to make 1*s.* 4*d.* effective by removing the two causes which have in the view of the Government of India so far prevented its success?—Yes.

3061. The redundant currency is to be cured by melting down and selling as bullion 10 crores of the rupee circulation annually until the redundancy disappears?—10 crores, or as much as may be necessary.

3062. The despatch says nothing about being necessary. I think it talks of the first 10 crores as being absolute?—In paragraph 9 they say, "We "consider, therefore, that the remedy for this state "of things is to remove from circulation as money so "much of the increases which were made to the cir-"culating medium immediately before 1393 as we "may find to be redundant." Then in paragraph 10 they say, "It is impossible with any exactness to say, "and it can only be ascertained by actual experience, "by how much this rupee circulation has to be "decreased in order to remove its redundancy."

3063. I think we may assume that there is a great possibility of 10 crores being melted in the first year?—That is quite possible.

3064. That would be equivalent as long as it lasted to adding 4,000,000*l.* sterling worth of silver to the annual output?—It would be putting on the market an additional amount of silver.

3065. £4,000,000 more, in addition to the ordinary output of silver?—Yes. Of course, the price we take here allows for the fall that would be caused. At the present market prices, 10 crores would realise more than 4,000,000*l.*

3066. The present price of silver is 69 in India?—It was 71·3 in March. That is the latest figure I have.

3067. You may take it it is about 69; that is, 69 rupees for 100 tolas of fine silver?—Very well, I will take that from you. I thought it was for silver $\frac{11}{12}$ths fine.

3068. No, you will find it is fine silver. Now 100 tolas of fine silver would mint out about 108⅓ rupees?—Yes.

3069. So that the price of 100 tolas of rupees, or of standard coin, would be about 63 per 100 tolas?—I will take that from you.

3070. So that, in that way, the 10 crores of melted rupees would realise Rs. 6,30,00,000, assuming the price of silver remained where it is?—Yes.

3071. But of course foreign competition cannot be kept out?—Imports of silver, you mean.

3072. Yes. America and other sellers of silver would still try to sell silver, and it would be only by underselling them that the Government would sell its full amount?—Yes.

3073. Under those circumstance, do you think that 63, the current rate, would be likely to be got for such a large quantity?—Not if it is sold all at once.

3074. Even over 12 months?—Possibly it might go a little lower.

3075. Would it not have the effect of impressing on the natives the fact that the rupee is intrinsically worth very little more than half its face value?—If the Government sold so low, do you mean?

3076. Yes?—I think not. Of course the fact is before them now.

3077. But it is a very unusual proceeding to melt down rupees?—In India it has not been done, but other countries that have passed from a silver standard to a gold standard have melted down their silver coins.

3078. I am speaking of India. Would the fact that the Government were melting rupees become generally known in the bazaars?—It would be known.

3079. You do not think it would have any disquieting effect?—I do not see why it should.

3080. Now as to the effect of such a step on the money market, considering the existing stringency, do you think that 10 crores of currency could be withdrawn from circulation with safety or without creating a dangerous crisis?—It would be withdrawn from the Government balances; we should not take other people's rupees; we should take the balances in our own treasuries.

3081. But the balances in your own treasury would be diminished by so much?—Yes, and the place of that silver would be taken by gold to the extent of Rx. 4,000,000.

3082. (*Sir D. Barbour.*) The six crores would be drawn from the outside currency?—Yes.

2083. (*Mr. Campbell.*) Then would the effect of this step not be to act on the exchange through the influence on the money market. Contracting the currency would have an effect on the money market, would it not?—If the six crores all came from the capital available for trade purposes, yes.

3084. But the Government idea is that if so much currency is withdrawn, the effect on the market will be such that gold will be remitted out to replace it?—Yes.

3085. Then would it be describing the Government proposal correctly to say that it relies on attaining success by perpetuating a stringent money market in India?—No.

3086. You would not admit that? — No. The stringency would at once be relieved by gold coming in. Any contraction of the currency by melting down rupees we hope to replace by gold.

3087. There would be stringency, but you would depend upon the gold coming in?—On the rise in exchange. A rise in exchange might occur without stringency.

3088. Is not the Government saying, in effect, that if trade influences will not suffice to bring in gold, they will melt down silver currency to compel sovereigns to come in?—They will melt down rupees to a sufficient extent to make these coins of the value of 1*s.* 4*d.*

3089. Would not that be justly described as an attempt to carry their point by putting pressure on the money market? — I hardly think so. It is changing the standard.

3090. Then you said the melting down of rupees would only be carried out if found necessary? — Yes.

3091. The test of necessity being that the exchange must be maintained at 1*s.* 4*d.*?—Yes.

3092. If 1*s.* 4*d.* is not established otherwise, the melting down will be proceeded with?—Yes.

3093. And carried on till the desired end is attained?—Yes.

3094. If the melting down of rupees is not found necessary, will the rest of the programme be carried out?—The borrowing, you mean—yes, it will. That is the first part of the programme, and the more important part.

3095. The Government is to borrow 5,000,000*l.* a year so long as may be necessary up to four years, and to send out sovereigns to India until a sufficient stock has been accumulated to make it safe in their judgment to declare convertibility?—To declare gold a legal tender.

3096. Or declare convertibility; that is to say, that the Government will then issue a sovereign for 15 rupees, as well as take in a sovereign for 15 rupees?—They do not contemplate doing that by law. There will be practical convertibility. The rupee will be worth 1*s.* 4*d.*, Rs. 15 and a sovereign will have the same value; every one will know that he will be able at any time to exchange the one for the other, and so far as the value is concerned no one will care whether he has in his possession 15 rupees or a sovereign. He will decide which he wishes to keep according to the convenience of his temporary needs, just as in this country a man decides whether to have in his pocket a five-pound note or five sovereigns, or twenty shillings or one sovereign.

3097. But when gold as legal tender is declared, will the Government then give a sovereign to any man bringing 15 rupees; they might perhaps put on 2 annas for a margin?—When the equality of Rs. 15 to the sovereign is finally and effectively established, the Government will without being bound by law be willing, like the public, to exchange one for the other.

3098. (*Chairman.*) Where do the Government propose that at any time they shall be under an undertaking to give a sovereign for every 15 rupees presented to them?—They do not propose that.

3099. Then that is not convertibility?—But they look forward to the time when the two will be exactly equivalent, and be generally exchanged one for the other, as twenty shillings are for a sovereign in this country.

3100. That is another question. If I take 100 shillings to the English Treasury they are not bound to give me five sovereigns for them?—But you have no difficulty in getting them.

3101. That is totally outside any obligation of the Government?—Yes.

3102. (*Mr. Campbell.*) At the end of paragraph 21 they say, "We shall have attained a gold "standard under conditions not dissimilar from "those prevailing in France, though not a gold "circulation in the English sense; and this last may "possibly not be necessary at all." Your argument just now was that possibly it would be necessary, and that possibly and probably it would come about eventually?—But in paragraph 20 they say, "It is not "our intention to part with any of the gold in our "possession until this condition of things is reached."

3103. (*Chairman*). What we want to get at from you, and through you from the Government of India, is whether this proposal is based on the assumption that they were proposing convertibility, namely, that they would give gold for rupees, or rupees for gold?—They do not propose to undertake that as a legal obligation.

3104. (*Mr. Campbell.*) In the meantime, the five millions would be held in the Treasury?—Yes.

3105. Or, if that should be inconvenient, it would be handed over to the currency department, and 7½ crores of cash or currency notes taken out?—Yes.

3106. Do you think the Government could avoid handing over this five millions to the currency department almost as soon as they got it. Would not the Government's financial position be strained by holding in the Treasury 7½ crores of non-legal-tender gold?—It would be borrowed in addition to their ordinary transactions of the year. It would be in addition to the existing cash balance.

3107. But there would be 10 crores taken out of the cash balances for melting down silver, so that they would pay out 10 crores, and only get 7½ crores back?—But they would also get Rx. 6,000,000 from the sale of the silver bullion.

3108. Do not you think that their financial position might compel them to hand it over almost at once?—It is possible.

3109. Their balance falls pretty low, sometimes?—During November and December, yes.

3110. And 7½ crores might represent a large proportion of the total?—Yes.

3111. Then what would be the position of the currency department; at present, what is the total note issue?—About 24 crores.

3112. And how much coin do they hold now?—10 crores invested and 14 crores coin.

3113. If the Government handed over the gold to the currency department, what would be the position of the currency department then?—They would then have 7½ crores of gold, and 6½ crores of rupees, and 10 crores of investment.

3114. Would not they have more. If it was taken out from them in notes their circulation, for the time, would increase?—Yes; if the number of notes were increased, that would be the position.

3115. You would pay it over in notes to begin with, would you not?—That could be done.

3116. So that then the position would be 31½ crores of notes, 14 crores of coin, 7½ crores of non-legal tender gold, and 10 crores of Government securities?—Yes, if the note circulation was increased by the amount.

3117. Yes. You would have 31½ crores of notes out, against which you would hold 14 crores of legal tender?—Yes.

3118. But supposing the note circulation again went back to the 24 crores, at which it stands now, the position then would be 24 crores of notes, and only 6½ crores of legal tender?—Yes.

3119. Would that be a safe position for the currency department to be in?—It would, with the result that we look forward to, when we declare gold to be legal tender.

3120. Might it not oblige the Government to make gold legal tender sooner than they contemplated, just to relieve the position of the currency department?—In that case, if there was any danger of the currency reserve being depleted and its being unsafe to keep so much gold in it, they would have to keep it out of the currency reserve and substitute rupees for it.

3121. Their only other means would be to take it back into the Treasury. Then, during all this time, Government would still be obliged to sell its 17,000,000*l.* Council bills yearly?—Yes.

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3122. Having initiated the scheme, would they hold out for a 1*s.* 4*d.* rate, or would they meet the market and accept the current rate?—They do not propose to recommend the Secretary of State to hold out for any rate.

3123. They would not propose to resort to sterling borrowing in order to keep up the rate?—In addition to what is here proposed?

3124. Yes?—No, they do not propose to try to hold out for any particular rate.

3125. The Government despatch points out one feature in the scheme which would assist the Government in selling their Council bills at 1*s.* 4*d.*, while the scheme was in progress; I mean the effect of six crores worth of silver in shutting out a corresponding amount of silver from abroad, and thereby adding to the trade balance which falls to be settled by Council bills?—Yes.

3126. And that would of course tend to support exchange while the process was going on?—Yes.

3127. But if rupees were not melted, Government would be deprived of that assistance?—Yes.

3128. Now I think you admitted to Sir David Barbour that it is on the balance of exports over imports that India must in the long run depend for liquidating her foreign obligations?—Yes.

3129. And you also admitted that exchange has an important influence on the balance of trade?—I admitted that they are closely connected.

3130. Now we come to the ratio. In introducing the Act in 1893 in the Calcutta Legislative Council, Sir David Barbour said this, "The ratio of exchange "between gold and the silver rupees has not been "finally settled. The making of gold legal tender, "and the ratio of exchange, as compared with the "rupees, at which gold shall be made legal tender "are matters which must be settled by legislative "enactment, and in the light of future experience." Then is it in the light of past experience that Government has decided on 1*s.* 4*d.* as the proper ratio?—It is in the light of past experience that it has decided not to try to go higher than 1*s.* 4*d.*

3131. Does that mean that experience points to 1*s.* 4*d.* as being a proper ratio—I do not say higher than 1*s.* 4*d.*, but 1*s.* 4*d.*?—As being the highest that they ought to try to establish, involving the least change.

3132. We know what the experience of the last five years has been, and that is what you consider justified Government in adopting 1*s.* 4*d.*?—In saying that they will not try to go higher than 1*s.* 4*d.*

3133. (*Chairman.*) But will you tell us why they will not go lower?—Well, they did not contemplate going lower; they rather looked to going higher.

3134. (*Mr. Campbell.*) But what I mean is, does experience justify the Government in concluding that 1*s.* 4*d.* is the proper rate?—I do not think there is anything in the past experience showing that 1*s.* 4*d.* is not a proper rate.

3135. (*Chairman.*) What is there to show that it is a more proper ratet han 1*s.* 3*d.*? What I really want to know is why your Department selected 1*s.* 4*d.*?—1*s.* 4*d.* was named as the rate up to which they would allow exchange to rise, at the time the mints were closed. The public generally expected that to be the final rate—at least the minimum rate. The public believed that the Government of India intended to establish the gold standard at 1*s.* 4*d.*

3136. What you say is, that one reason was that the report of the Herschell Committee, and, of course, the subsequent administrative action of the Government of India, bound them to buy gold and to fix prices at 1*s.* 4*d.*; that is, of course, a very strong reason, so far as it goes, but can you give us any other reason but that? The feeling of the mercantile classes and other classes that it ought to be fixed?—There is an objection to make any change from 1*s.* 4*d.*

3137. But it is not now 1*s.* 4*d.* This year the Secretary of State has budgeted on the theory that the exchange will be only 1*s.* 3½*d.*?—Yes, but the universal expectation is that the gold rate will be established on the 1*s.* 4*d.* basis and any going down below that would tend to shake confidence.

3138. (*Mr. Campbell.*) I do not think general anticipation has anything to do with the rate being a proper rate?—I do not see that one rate is more proper than another. The best rate is the one nearest to the one prevailing at the time when you make the change.

3139. The ratio, of course, you will admit, is the crux of the whole question?—It is a very important question.

3140. We have silver selling at a price which makes the silver value of the rupee about 10*d.*?—Yes.

3141. Am I right in stating the problem in this way? The problem is to establish a gold ratio for the coined rupee which, while much higher than its intrinsic value, will yet attract gold to India in exchange for rupees until a sufficient stock of gold has been acquired to enable the gold standard to be made effective?—I would rather put it that the problem is to fix the number of rupees at such an amount as will give the desired ratio to gold.

3142. I say to establish a gold ratio?—Yes.

3143. That is the problem. Now what would you consider the test of a proper ratio?—I consider the best ratio is one that makes the least change from existing circumstances when the change is made.

3144. Would you consider it essential that it should be a ratio which should not injure Indian trade or industry?—Yes.

3145. Or affect injuriously the interests of the mass of the population?—Yes.

3146. Would not cripple or check production?—Yes.

3147. Would be effective under normal trade conditions, and would not require artificial support to insure its maintenance. I do not say its establishment, but its maintenance?—I do not quite know what you mean by artificial support.

3148. If you borrowed 10 millions to enable you to sell only 7 millions' worth of Council bills every year?—You do not call closing the mints artificial?

3149. No; continual borrowing I mean?—It would be essential that the maintenance of the rate should not be dependent on continual borrowing.

3150. Now, what, in your opinion, would be the best way of ascertaining a proper ratio?—I take it you should keep as near as possible to the rate existing at the time the change was made. When the change was first contemplated in 1892 the rate was not much below 1*s.* 4*d.* Now it is about 1*s.* 4*d.*, so that 1*s.* 4*d.* does not involve any great change.

3151. In the only two years since 1893 when the Council sold their 17 millions, the exchange went to 1*s.* 1*d.*?—Yes.

3152. Would you require experience in such a matter to be very clear and decisive?—If there was any possibility of getting any clear or decisive experience showing that one rate was preferable to another.

3153. Government have always to sell their 17 millions a year?—Yes.

3154. For which they very properly desire to ge the best rate possible?—They do.

3155. May not their interest in this direction be apt to bias them unconsciously in the choice of a ratio?—You mean desire to get it higher than 1*s.* 4*d.*?

3156. Yes?—I do not think Government would allow themselves to be biased.

3157. Not consciously—I say unconsciously?—They very strongly resisted going above 1*s.* 4*d.* last year in the interests of the country at large, in spite of the great benefit that would have accrued to the revenue if we had gone to 1*s.* 1*d.*

3158. Of course, it would not be to the Government's interest to impose an unwarrantably high rate?—No, I do not know that any rate is an unwarrantably high rate. Once it is established and steady, the trade would go on just as well on one rate as on

another. There would be disturbance in passing from one rate to another, that is all.

3159. In the absence of anything unmistakably pointing to a certain ratio, would you consider it sufficient for the Government to select a ratio which it considered suitable, and take artificial steps to make it effective?—Take steps to make it effective.

3160. Would such a course not tend to obscure the proper ratio, to make it more difficult to discover?—I cannot understand the expression "proper ratio."

3161. Workable ratio?—One ratio is as workable as another, once it is firmly established.

3161*a*. But how are you to establish it firmly if it is not a ratio that is natural to the trade requirements?—For trade purposes it seems to me immaterial what rate is adopted.

3162. Do you think it is immaterial what rate is adopted?—Once it is established. After the first disturbance is over, any rate will suit trade.

3163. (*Chairman.*) Then, supposing the Government of India had agreed, say, on the one hand that the rupee should be practically the same as a shilling, namely, that there should be 20 to the sovereign, or, on the other hand, that it should accept the proposals of the American envoys last year for a ratio of 15½ to 1, which would bring it to 1*s.* 1*d.*, do you mean that whichever of those were established it would not matter?—I think so, after the disturbance caused by the change of rate had passed away.

3164. (*Mr. Campbell.*) If the one ratio would work as well as another, once it were established, why not go to 2*s.*?—Because it would involve too great a change from present conditions.

3165. But you might do it gradually?—But there are great objections to going up gradually. It takes a long time, and the trade would be disturbed during the whole time of the rise. Also so high a rate might necessitate re-adjustments of land revenue settled when exchange was below 2*s.*

3166. Do you admit that there is a natural and proper ratio, if it could only be found?—Once you have got your token rupees down to a certain number, there will be a ratio.

3167. So long as you are working under artificial conditions, is it not impossible to tell whether you have got a proper ratio or not?—It is difficult to tell what would have been the ratio the last few years if there had been no unusual circumstances in those years.

3168. Now, going forward to the time when the thing is complete, and Government thinks itself in a position to make gold legal tender, you would then hold, I suppose, for 1*s.* 4*d.* for Council bills?—The rate of 1*s.* 4*d.* would be offered by the market for Council bills if the rate was established, and the scheme was successful.

2169. I ask, would you hold for a limit of 1*s.* 4*d.*?—I do not expect they would; but the Government have not as yet given any decision on that point.

3170. Would it not be taking up a very false position if the Government made sovereigns legal tender in Calcutta at 15 rupees, while at the same time buying sovereigns themselves in London at 16. To sell under 1*s.* 4*d.* means to pay more than 15 rupees for the sovereign?—That does mean to pay more than Rs. 15 for the sovereign.

3171. Would it not be a very inconsistent attitude for the Government to take up, to make sovereigns legal tender in Calcutta at 15 rupees, and at the same time to pay 15½ or 16 for them in London?—I do not think they would declare gold legal tender until it was practically certain that they would not have to do that.

3172. I say when they made it legal tender, would they stand out for 1*s.* 4*d.* for their bills?—The Government have not yet said anything on that point. They have given their proposals up to that stage, that is all.

3173. Then you cannot say whether they will hold out for 1*s.* 4*d.* or not?—No.

3174. (*Chairman.*) Then you do not see the difficulty of buying at one price in London and selling at another price in Calcutta?—I see the difficulty.

3175. (*Mr. Campbell.*) Then take it that they hold for 1*s.* 4*d.* In the event of their failing to sell the 17 millions annually at 1*s.* 4*d.*, what would they do then?—The remittance of gold from India would enable them to reduce the sales of Council bills and meet the needs of the Home Treasury. If that step was not sufficient to re-establish 1*s.* 4*d.* it would show that the sterling borrowing or the melting of rupees had been insufficient, and the scheme would have broken down; it would not have been completed; the measures would have failed.

3176. They could borrow sterling?—They could borrow sterling.

3177. They could bring back some of the gold from India?—They could avoid drawing by bringing back some of the gold from India.

3178. But that expedient would only last so long as they had any gold there?—Exactly.

3179. In fact it would mean, as you say, a breakdown of the scheme?—It would for the time.

3180. (*Mr. Le Marchant.*) You were asked some questions about the causes that determine exchange, and the relation of exports to imports. I understand you to say that it was a material, perhaps I may say a predominant, cause in determining the exchange?—Yes.

3181. Do I read the despatch of the Government of India aright in taking also the amount of currency as bearing on the rate of exchange?—Yes.

3182. I will put my question in another way. It appears to me that they consider that in the event of currency, lying for the moment in the hands of the banks in India, being more than the immediate trade wants require, which I read to mean redundant—redundant in that particular quarter—that in itself tends to lower the exchange value of the rupee?—Yes.

3183. In that respect it has similarities to a large inconvertible paper circulation. Suppose the case of a country with a large amount of inconvertible paper like Brazil; a large volume of that currency tends to affect exchange?—I think so.

3184. And in that way exchange will be affected by the excess or deficiency of the volume of currency, independently of the demand for remittances arising in the course of trade?—Yes.

3185. Is the proposition to regard the amount of currency which in slack times fulfils the want of trade consistently with the rate of 1*s.* 4*d.* as what you would call the minimum amount required?—Yes.

3186. And any excess above that, such as is wanted when trade is active and crops moving, is the marginal amount of currency which you look forward to being supplied by gold when the rate of 1*s.* 4*d.* is operative?—Exactly, that amount at least.

3187. Is the object of the Government of India, in proposing to remove currency out of banking centres in the slack season, to assure the community that a rate of 1*s.* 4*d.* will be maintained, so that if they send gold into the country they may count on getting it out at that rate?—Yes.

3187*a*. Would you regard the token currency as being redundant by so much as it may exceed the amount which is sufficient for trade wants in the slack season with an exchange of 1*s.* 4*d.*?—Yes, the number of the token rupees should be such as is consistent in the slack season with the maintenance of the rupee at 1*s.* 4*d.*

3188. When you say consistent with the maintenance of the rupee at 1*s.* 4*d.*, will you test it in this way? Suppose rupees were actual pieces of gold of the value of 1*s.* 4*d.*; if the amount in circulation at the slack season exceeded what you view as the proper maximum, would that excess tend to flow out abroad as not being wanted?—Exactly.

3189. Just as in any other country with an actual working gold circulation, in the event of a particularly slack time, the tendency of that gold is to flow abroad. That would be the measure of what you would view as the proper maximum of silver tokens?—Yes.

3190. Would you regard being on a common gold basis as the easiest way in which the in-flow and

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out-flow of this margin of currency would be determined?—Yes.

3191. That is to say, that the trade could more easily obtain the currency it wants in active seasons, and in the same way the currency that was not wanted in slack seasons would more readily leave the country?—Do you mean if the whole currency were gold?

3192. I mean if you obtain an effective gold basis?—The margin that would flow out and flow in would be in gold.

3193. And would flow in and flow out more readily in that way than any other?—Certainly.

3194. Your measure then would, in your opinion, tend to diminish stringency during the busy season by supplying money in the manner best adapted to trade requirements?—Yes, by the in-flow and out-flow of gold.

3195. Do you think by having a common standard of value working effectively in the way described, you would bring prices in India most directly into relations with prices in gold countries?—They would really be gold prices, once we had passed to a gold basis.

3196. And to that extent the influence on trade which is now exercised by variations in exchange would then be exercised directly by variations in price?—Yes.

3197. The result of that would be that the pressure to bring the balance of trade, or I would rather say the balance of payments, to an equilibrium would fall as directly as possible on prices. Thus, the basis of currency being gold, the rate of exchange would vary as little as possible, but pressure would be exercised on prices, either to produce exports, or to encourage imports, and so to bring the balance of payments to an equilibrium?—Yes.

3198. So the theory on which the Government proposals are based is that the balance of payments would be equalised by the action of prices, and not by extreme variations of exchange?—Yes.

3199. And you aim at stability of exchange assisted by the close relation between prices in India and abroad?—Yes.

3200. Is it the view of the Government of India that the contraction of the currency does bear directly on exchange?—It is.

3201. That it is one of the essential conditions to take into account?—Certainly.

3202. Do the Government think that this contraction and its effects would be sufficient to induce the public to import gold when currency is wanted at the active season?—Yes.

3203. They look on that as the undoubted result?—If the rupees were not sufficient for the requirements of the busy season the public would import gold.

3204. However, gold is not being imported at present (whether owing to want of confidence or other causes). Do you consider the supply of currency at the moment insufficient for the immediate wants of trade?—Yes, in the trade centres.

3205. It may be owing to exceptional circumstances, but you think it is so for the moment?—Yes.

3206. (*Chairman.*) Do you think at the present moment there is a restriction in the currency of India as a whole?—No, I do not think there is.

3207. (*Mr. Le Marchant.*) But perhaps there may be a want in particular places, for instance, in banking centres?—The high rate of discount indicates that there is.

3208. Yet gold is not imported?—Gold is not imported.

3209. Under this scheme, however, the Government are satisfied that confidence would be created, and gold would come in?—Yes. Last cold weather, if there had been confidence that the scheme would have been carried through, I think gold would have been imported in much larger quantities than it was.

3210. You were asked as to the view of the Government of India about rupees being redundant at one rate and not at another. How do you test that; do you test it by prices, or in what way; do you mean that more currency is wanted when prices are higher?—Yes.

3211. And would that occur with a low exchange or a high exchange?—With the low exchange, higher prices.

3212. Do you mean that prices would be high in India as compared with what they would have been at a higher exchange?—Yes.

3213. The "high" is relative?—Yes.

3214. Would you say, from your experience, that low exchange causes high prices in India?—The tendency would be for prices to go up.

3215. Would that be permanent?—I think so.

3216. How far do you regard high prices as a gain to the country?—I do not think that high prices are a gain to the country. The best thing for a country is that prices should keep as nearly steady as possible; they should not vary either up or down.

3217. (*Chairman.*) Would you say that in connexion with articles of food; is it not more to the advantage of the country that food should be cheap rather than dear?—That it should get cheaper and cheaper you mean?

3218. Yes?—It must vary with the progress of production, and so on.

3219. But if a country like this buys its bread and sugar and tea, and so on, cheaper, is not that an advantage?—I think any variation of price which is due primarily to the standard is bad. A fall in prices due to a lessening of the real cost of production as measured in labour and capital is of course a gain.

3220. (*Mr. Le Marchant.*) With regard to the gain or loss arising out of exchange. You were asked if some interests in India gained by a high exchange or a low exchange. Is it the case that what some gain others lose?—I think it is.

3221. In fact, would you view it as a distribution within the country of gain or loss?—Yes. If more is got for exports, the more will have to be paid for imports.

3222. But, as among the different interests in the country itself, would it be the case that those who had produce to sell for export would receive more, and those who had to buy it to remit to England would pay more?—I think what the one would gain, the other would lose.

3223. Now, what is the position of the Government? If prices rise from a low exchange, do they have practically to pay more in rupees for their remittances to London as exchange falls?—They have.

3224. Who pays that eventually?—The country—the Government.

3225. The sterling payments have to be met in some manner in London, have they not?—Yes.

3226. Eventually from what fund?—From the taxation of the country.

3227. With regard to the mode of payment or remittance generally, would you view remittances from India as provided by exports?—Yes.

3228. Would you consider that all remittances from India, whether on the part of the Government, or on the part of private individuals, are made, directly or indirectly, by means of bills against exports?—Yes; the exports would have to be sent to the amount of the whole.

3229. If, on the other hand, a demand for money remittances from England to India exists, might that be a set-off, to some extent, to a demand for remittances in the opposite direction?—They would counterbalance.

3230. Might you, in that way, have a considerable amount of banking remittances either way set off against one another, over and above imports and exports?—You might, but I should think that as a rule the remittances would all be covered by exports and imports.

3231. With regard to the rate of exchange of which you have been speaking, 1*s.* 4*d.*, how far can you point from experience to any facts on which a rate

can be based; can you point to natural conditions of exchange in any way in India?—I do not think so.

3232. Would you take into account all conditions which influence exchange; for instance, if you look at the facts of the last few years, have you observed not only the exports and imports that have been alluded to, but also sterling borrowing?—There has been sterling borrowing.

3233. And that has had a bearing on exchange and power of remittance?—It has.

3234. Has that sterling borrowing by Government had an effect on exchange in any way different from that exercised by capital which the public may have raised and transmitted to India?—I do not think it has.

3235. How far, in considering a rate of exchange, do you consider it necessary to exclude the consideration of sterling capital in future being raised and sent to India? You have the fact in recent years of sterling capital being raised and causing a demand for remittance to India. Do you consider that one of the facts that have gone to determine exchange?—I do.

3236. In considering the future, do you exclude the consideration of any future capital being raised and sent out to India?—No; I think there will be capital raised in future.

3237. Do you think a stable rate would be an inducement, or the reverse, to capital to go out?—A very great inducement to capital to go out.

3238. Would you therefore take the possible raising and sending of capital to India as a probable condition?—Certainly. There is a great field for the employment of capital in India, and it would go there if they had a stable exchange.

3239. And it would to that extent affect exchange?—Yes.

3240. With regard to the power of India to remit, you were asked how far it was proposed to artificially support the rate of exchange. What should you say takes place in other countries on a gold basis who have to remit?—If the exports are not sufficient they send gold.

3241. Where would you consider the main difference would be between the position of India and that of any country—for instance Russia or the United States—in having to remit, if on a gold basis?—They would both remit gold. Once India is on a gold basis and has the gold, she could remit her own gold; she would be able to do that, once she had a margin of gold in circulation.

3242. What would be the effect of that in India?—It would affect the currency for the time.

3243. Would it affect prices?—It would.

3244. Would that tend to redress the balance of trade, or the reverse?—It would tend to increase the balance of trade—the exports.

3245. If in the long run India was not able to send exports to redress its position to make up its accounts, that gold would not be recovered?—It would remain out of the country.

3246. Do you view the plan as resting on the solvency of the country?—Certainly.

3247. What evidence as to solvency do the Government accounts afford?—I should take the surpluses and deficits for a series of years. In the last 20 years there has been nearly an equilibrium. In the five years, 1878–79 to 1882–83, the net surplus was Rx. 1,545,099; from 1883–84 to 1887–88 the net deficit was Rx. 3,158,870; from 1888–89 to 1892–93 the net surplus was Rx. 5,971,345; and from 1893–94 the net deficit caused by the two famine years was Rx. 6,308,012. The net deficit in the 20 years was thus Rx. 1,950,438, or about two crores. On that point I may refer to the statement made by Sir James Westland in presenting his last financial statement, his review of twenty years' finance.

3248. Would you view one test as being the amount of sterling borrowing?—The sterling and rupee borrowing together, both of them; and also against that you would set the amount of capital expenditure on railways and irrigation works that are expected to pay enough to cover the interest charges. The total amount of sterling debt is about 115,000,000*l.* and of rupee debt about Rx. 111,000,000. Against those amounts you have to set the capital expenditure on railways and irrigation works not charged to revenue, amounting to about Rx. 143,000,000, in addition to the similar expenditure charged to revenue.

3249. The charge for interest is divided into interest on Public Works Debt and interest on ordinary debt?—Yes, ordinary interest and public works interest.

3250. Do you consider that the portion of the debt which is classified as Public Works Debt represents productive expenditure?—Yes, the capital expenditure in railways and irrigation is productive.

3251. And what proportion is the interest on Public Works Debt to the remainder?—The interest on productive works is greater than the other.

3252. Do you view the solvency of India as the material fact on which to base a gold currency?—Very material.

3253. And its power of payment by a regular course of remittance?—Yes.

3254. And would you consider that India is so far in the same category as other nations on a gold basis, who have to make payments bearing the same proportion to their means of payment as India's obligations to her resources?—Yes. Of course, the possibility of going to a gold standard, or silver standard, or any other standard of metallic payment, depends on solvency.

3255. (*Chairman.*) What is the rate of rupee borrowing in India?—Three and a half per cent.

3256. What is the rate of borrowing in sterling in London?—Three per cent. or $2\frac{3}{4}$, or even lower.

3257. (*Mr. LeMarchant.*) Looking at the position both of the Government and of the country as a whole, do you regard the material fact as being whether there is a sufficiency of exports to meet their requirements abroad—a sufficient balance?—It is a very material point. It is the material point.

3258. And do you think this proposed plan or any effective gold standard would affect that injuriously?—It would not. I think that the prosperity of a country could not really be affected by the standard it adopts, provided the two standards in question are both of them sound.

3259. You do not think it would introduce some new condition involving a risk to the power of remittance to this country?—I do not think it would.

3260. (*Sir John Muir.*) I suppose, generally speaking, you may say that for the prosperity of a country you want to increase your exports as much as possible?—No I should not assent to that general proposition. It would amount to saying it is advantageous to give away exports for nothing.

3261. Is not it by increasing your exports and diminishing your imports?—I should think not. Increasing your exports and diminishing your imports by itself merely amounts to giving away property for nothing.

3262. Suppose that India had not the heavy debt she has, but was quite free, would the question of future prosperity depend upon whether her power of exporting exceeded what she was bound to import; that is to say, would it not be an advantage to India to have five or six millions a year paid into her instead of she having to pay five or six millions out on the balance of trade?—I do not think so. I think in the case you put the exports and imports would balance one another. They would be equal; the gold would be an import, and it might not be to her advantage to receive gold instead of commodities.

3263. Do you think it an advantage to a country to import more than she exports?—I think they are both equally important.

3264. Surely one is more important than the other. Do you think it would be an advantage to India, she being a free country, with no debt, that she should

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import more than she can export?—I do not think it an advantage that the imports should exceed exports, or that the exports should exceed the imports. It is a condition of the remittances that have to be made by India that the exports must exceed the imports.

3265. I must suppose to begin with that India has no external debt; that she is free. That being so, is it not the duty of every one interested in India's prosperity, to increase her exports and her internal trade so as to decrease what she must import from England?—No. If she can get useful things from England, why should she not?

3266. But if she took in imports more than she takes up in exports then she would have a balance. You think that would be an advantage?—I do not think it is an advantage in itself, that the imports should exceed exports, or that the exports should exceed imports. There are instances of countries being prosperous both with an excess of exports over imports, and with an excess of imports over exports. The United Kingdom is an instance of a very prosperous country of the latter class, and the United States of the former class.

3267. (*Lord Balfour of Burleigh.*) Will you take the despatch in your hand, and look at paragraph 21, beginning: "When we have reached the stage in question". The stage in question is that described in the preceding paragraph?—Yes, when the exchange had attained a level of 16*d.*

3268. The Government of India say: "When we "have reached the stage in question, the sovereign "will be a recognised coin of the Empire, in use in "its chief cities at least, and as long as this condition "can be maintained the exchange will be stable at "about 16*d.* We always have it in our power to "carry the operation even further, by withdrawing a "still larger quantity of silver, and replacing it by "gold coin; and we recognise that circumstances "may arise in which such a measure may be forced "upon us." What are the circumstances to which the Government allude?—Possible circumstances in the distant future.

3269. But what are the circumstances?—I do not think they are alluding to any particular circumstances—only possibilities. On reading the paragraphs again, I think the reference is to the possibility of the anticipations in para. 20 not being fulfilled, and it being found that borrowing and melting to the extent mentioned in that paragraph are insufficient to maintain the rupee at 16*d.*; in that case, further borrowing and melting would be forced on the Government.

3270. I understood you in one of your answers to Mr. Campbell, to say that it was not the intention of the Government of India to pledge themselves to give a sovereign for any 15 rupees that any man in the street might bring to them?—No; not to bind themselves.

3271. If they could not do that, it cannot be said that, so far as the internal position of India is concerned, 15 rupees are the par of a sovereign?—It would be if, as a matter of fact, everyone was willing to give 15 rupees for a sovereign, and a sovereign for Rs. 15.

3272. But what you say is, it would not be possible to change 15 rupees into a sovereign at the will of the holder?—It would not be possible to claim it by law.

3273. In other words, they will not be able to get it?—We hope they will. Once exchange is established at 15 rupees to the sovereign, there will be no reason for a man keeping 15 rupees rather than a sovereign, or a sovereign rather than Rs. 15, other than considerations of his convenience for the time being.

3274. If that anticipation is not realised, it is equivalent to the breakdown of your scheme?—Certainly.

Adjourned.

SEVENTH DAY.

Monday, June 20th, 1898.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

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MR. ALEXANDER MARTIN LINDSAY called and examined.

3275. (*Chairman.*) You are a Fellow of the Bankers' Institute of London?—I am.

3276. How many years have you resided in India?—32 years.

3277. In what capacity?—For the first two or three years I was employed in a mercantile firm; for the last 29 years I have been in the service of the Bank of Bengal.

3278. What position do you hold in the Bank of Bengal?—Deputy Secretary and Treasurer.

3279. At the commencement of your evidence I suppose we are to understand that you do not speak on behalf of the Bank of Bengal, and that you come here in your private capacity?—In my private capacity.

3280. In no way binding your directors?—In no way binding my directors.

3281. And I suppose in your Bank, as in many other mercantile institutions in India, there is a considerable difference of opinion upon these questions?—Naturally so.

3282. Now, you have, during the last few years, given a good deal of attention to the currency and the coinage of India?—I have.

3283. I will commence by asking you about the closing of the mints. The mints were closed in June 1893. Can you give us any information as to what was the state of affairs, so far as the currency and the exchanges were concerned, prior to the closing of the mints?—For nearly ten months prior to the closing of the mints exchange varied little from a rate of 1*s.* $2\frac{5}{8}$*d.* With regard to the currency there was no great surplus or deficiency of currency in the money or exchange markets during the second quarter of 1893. The Bank of Bengal rate of interest for the first half of 1893 was 5·685 per cent., against 3·502 per cent. in 1891. It rose in 1893.

3284. What had it been, say, on an average, five or six years before the closing of the mints? Will you go back, say, to 1888?—The average rate of the Bank of Bengal for the whole of the year 1888 was 5·460; in 1889, 6·991; in 1890, 5·790; in 1891, 3·062; in 1892, 3·499.

3285. Then, in 1893, the rate rose for the first half of the year?—It rose for the first half to 5·685.

3286. What was it in the second half?—4·076.

3287. Then it fell after the mints were closed?—The rate of interest always falls in the second half of the year.

3288. Do you consider that, at the date of the closing of the mints in June 1893, there was more currency than the trade at that time required?—There was no large accumulation. The combined balances of the Banks of Bengal and Bombay were 490 lakhs at the end of June 1893, as against 550 lakhs in 1892, and 900 lakhs in 1891.

3289. Then you think there was no redundancy of the currency and that, as between 1893 and 1891, there was a considerable drop?—There was a considerable drop. The great surpluses of 1891 and 1892 had been worked off.

3290. Was the bank rate raised in 1893 in consequence of the drain on the bank, the fall in its reserve?—The rise in the bank rate shows that the demand for accommodation was greater in 1893 than in 1891 and 1892.

3291. Would that be affected by the exchange?—The drain on the bank for money was probably affected by the exchange. There would be other causes at work.

3292. Then, apart from every other question, first, dealing with the state of the currency in 1893, you think there was neither redundancy nor contraction?—Just so.

3293. That was an average state of affairs?—There was an average state of affairs. I should say there was a heavy redundancy in 1891 and 1892 which had been gradually worked off.

3294. Can you give us, since the closing of the mints, the rates of discount of the Bank of Bengal? What was it in 1894?—Shall I give you the whole year?

3295. Yes?—The average rate was, in 1894, 5·394; in 1895, 4·329; in 1896, 5·691; in 1897, 7·925.

3296. That is on the average of the year?—On the average of the year.

3297. To what do you attribute the rise in the rates in 1896 and 1897?—The great cause, in my opinion, was the curtailment of Council bills caused by famine and war, coupled, towards the end of 1896 and in 1897, with a heavy commercial demand for money to move highly-priced food grains, and prolonged, latterly, by a large export demand for wheat and seeds; that is in 1898. The Government loans of 1896 and 1897, and the extension of joint stock enterprise in 1895–96, also withdrew much capital from the money market.

3298. In the reasons you are giving us now for the rise in discount, partly in 1895 and then in 1896–97, you have not given the closing of the mints as any effective cause. Perhaps I may put it in another way. Supposing the mints had remained open during those years, do you think that the famine and the war, and the development of joint stock enterprise, and the necessary large exports of high-priced wheat and seeds, would have produced that same stringency in the money market if the mints had been opened?—If the mints had been open and there had been a prospect of a rise in the price of silver there would have been more money in the money market. If there had been a prospect of a fall in the price of silver there would have been the same tightness as has been experienced, in my opinion. As a proof of that I may say that, in the year 1877, the average bank rate for the first half of the year was 9·492, and for the first half of 1897 it was 9·854.

3299. Can you remember what the exchange was at that time?—In the beginning of 1877 the exchange was 1*s.* 10*d.* and it fell during the first half of the year to 1*l.* 8$\frac{7}{8}$*d.*; it fluctuated, and ended, I should say, at 1*s.* 9$\frac{1}{8}$*d.*

3300. It was a high rate of exchange?—Yes, higher than in 1876. The banks expected exchange to fall, and hoped to get money on cheaper terms by postponing purchases of council bills and silver.

3301. And they did not?—Yes, they did, because exchange fell; and for a similar reason money might not have been more plentiful this last year had the mints been open, because if the exchange banks had expected a fall in the price of silver, they would have borrowed in India as much as they could, in anticipation of a fall in exchange.

3302. Contrasting 1877 and 1897, do you find the same famine and trade causes at work, in proportion to a high rate of discount, in both years?—In both years. I will again compare the rates. The rate for the first half of 1877 was 9·492, and for the first half of 1897 the rate was 9·884. In the second half of 1877 the rate was 7·304, and in the second half of 1897 it was only 5·967.

3303. Are there any other facts, except those which you have given us, by which the sufficiency or deficiency of the currency can be tested?—The sufficiency or deficiency of the currency can, in my opinion, only be properly tested by convertibility into gold.

3304. You mean convertibility of the silver currency?—Convertibility of the silver currency into gold

3305. Will you give us the reasons for that opinion?—Of course, the great test of the sufficiency or deficiency of the currency is the rate of exchange, which shows the relative value of the local currency to the international currency. A currency that is not interchangeable with the currencies of the great commercial and financial countries is inelastic, it cannot expand and contract freely. Inconvertible currencies expand enormously at times because they have no outlet, and they expand often without any appreciable effect on exchange.

3306. What you are pointing to, I suppose, is the fixed rate of convertibility?—The fixed rate. If a currency is convertible without loss into the great international currencies, then any local demand will be met, immediately, by a supply of currency from the great sources, and a surplus of local currency will be transferred through the medium of convertibility to the international currencies; but, if you have a local standard, or no standard, it is most difficult to test whether the quantity of currency is deficient or sufficient.

3307. A fixed rate of exchange accompanied by convertibility frees the transmission—the flow and the reflow of capital—from all restrictions whatever?—Yes.

3308. It follows its natural course of supply and demand?—Yes. As a rule, a fall in exchange indicates redundancy of currency in the exchange markets. Prices also give some index as to sufficiency or deficiency. But I think no proper test of a deficiency or sufficiency of the currency of a country can be given unless the local currency is convertible into the currency of great commercial countries.

3309. Do you consider that the subsequent course of events since June, 1893, has reduced the currency below the requirements of trade at the present time, either in the busy season or in the slack season?—There was extreme scarcity of money-market money during the busy season of 1897 in India, and, again, during the busy season of this year.

3310. But was there a deficiency in the slack season of last year?—There was no deficiency in the slack season. There is always a great difference between the commercial demand for currency in India during the busy season, and during the slack season, because the moment the rainy season commences there is a great stoppage of trade, and money comes rushing into the Presidency banks; on the other hand, during the busy season, when there is a heavy commercial

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demand on the banks, the Government balances run up very greatly.

3311. Is that owing to the collection of the revenue?—It is owing to the collection of the revenue. The revenue is largely collected just at the time when money is most in demand for commercial purposes, and *vice versâ*. It would be desirable, I think, that these collections should be utilized to meet trade requirements during the busy season, but there is great difficulty in making any change—at present, at all events. But I wish to point out that there is always a great difference between the supply of money during the busy and the slack seasons. Commencing at the end of November 1896, when the pressure for money was first felt, the total Treasury balances were exceptionally low, 7½ crores of rupees only, while the cash balances of the three Presidency banks, after deducting their Government deposits, were 3⅕ crores only. Then, as the busy season progressed, we find that in January 1897 the Government balance had jumped up to 12 crores, and in March it went as high as nearly 14 crores.

3312. But that was the busy season?—That was the busy season, when there was great pressure for money, and the bulk of that money was locked up in the Government Treasuries, and was not available for commercial purposes. Then, take the month of June 1897. The Government balance had dropped down to 11 crores, and the bank balances (I am excluding the Treasury money) were exceedingly low in March, about 1 crore.

3313. You did not give us January?—In January the bank balances of commercial money—taking the end of January—were about 2½ crores. In May the bank balances were very low, indeed; about the end of May they were under 1 crore.

3314. Is that all the banks?—The three Presidency banks.

3315. (*Mr. Le Marchant.*) Are those the Government balances at the banks?—No.

3316. It is excluding Government balances?—Yes.

3317. But what are the bank balances?—I am giving the bank balances after deducting the Government deposits at the banks. Then, about the middle of June, the balances of the three Presidency banks, independent of Government money, stood about a little over 1 crore.

3318. (*Chairman.*) Now, will you go to the slack season?—The commercial balances in July 1897 jumped up to about 4 crores, 70 lakhs.

3319. That is exclusive of the Government Treasury balances?—Exclusive of the Treasury balances; it shows a rapid jump up in June and July. The Treasury balances in July went on increasing. About the middle of July the Treasury balance was about 9 crores. In September the Treasury balances were very low, down to 7½ crores. The bank balances at that date were about 4 crores, 25 lakhs.

3320. (*Chairman.*) Then, will you go to December?—At the beginning of December the Treasury balance began to rise. Towards the end of December it was about 10 crores. The bank balance fell to 1½ crores. Then, in March, when there was extreme pressure in the money market, the bank balance was down to almost nothing, apart from Government money. The Treasury balance amounted to 16 crores. That is in the March of the present year. Since March the bank balances have been rising, and the Treasury balances falling. I give these figures to show the great discrepancy in India between the supply of money for mercantile purposes in the busy and slack seasons.

3321. Do you form any conclusion from all those figures that you have given us, either with reference to exchange or with reference to the closing of the mints, and its effect on the bank reserves in the country?—As far as their effect on exchange goes, they naturally create a pressure on the market for money during the busy season, and great ease during the slack season; and exchange will naturally rise during the busy season and fall during the slack season. Bank resources would be increased during the busy season, were the surplus funds in the Government Treasuries placed at disposal of the Presidency banks at that time.

3322. I want to get from you your opinion as to whether, either from the growth of trade or from hoarding, or from the export of coins, or from the expenditure upon war and famine, or from any other cause, there is, at this moment, a deficiency of currency in India?—There is unquestionably, in my opinion, a deficiency of currency in India—at all events, in the money market.

3323. Then you differ from the opinion of the Government of India that there is a redundancy of currency?—Yes. There is no redundancy when large sums are locked up by Government during the busy season. In my opinion, there will be no redundancy whatever under convertibility.

3324. That is talking of what might be; we will come to that afterwards. The Government of India, as you know, have based their proposals to some extent on the fact that there is a redundancy of currency in India at the present time, which they propose, in a manner about which we will talk presently, to remove. First of all, do you, or do you not, think that there is any redundancy of currency?—There was every appearance of grave deficiency of currency during the last season. What it would be during a slack season, under the circumstances that I have just mentioned, it is impossible to say—at least, it is difficult to say.

3325. The real practical test would be, whether there was deficiency in the busy time?—A deficiency in the busy time, of course, is very much more serious than a deficiency in the slack time.

3326. But that is the test?—That is the test.

3327. When everybody has apparently gone to sleep, it does not much matter; but when trade is really active, that is the time when the facts could be ascertained and the results noted?—I should like to give a few facts to indicate the extreme deficiency of money during the past season. There was every indication of most extreme pressure for accommodation culminating in a large destruction of credit in native banking circles.

3328. Which year do you mean now?—This last busy season, 1898. The bank rate ruled higher than it has been since the monetary crisis of 1866. Government 3½ per cent. paper which stood at 110 rupees in the middle of 1896, and Rs. 103·8 (that is 103½) in the middle of 1897, fell to 93½ in the early part of 1898. I may also mention that there was extreme scarcity of currency in the North Western Provinces and the Punjab during this busy season. First-class firms were paying at the rate of ¾ths. per cent. on discounting demand bills on Calcutta and Bombay.

3329. (*Mr. Hambro.*) What is the natural discount?—As a rule, accommodation of that description never rises above, at the very most, ⅜ths. per cent.

3330. (*Chairman.*) And this was ¾ths. per cent.?—Yes.

3331. Those are facts which you consider indicate pressure?—Extreme pressure for money.

3332. Now do you consider that a fall in exchange would tend to increase the volume of exports, and of trade generally?—Other things being equal, a fall in exchange should stimulate the export trade temporarily, and curtail the import trade.

3333. And *vice versâ*?—Yes.

3334. How long do you think that the temporary period should last?—As a rule, it cannot last very long. Of course it does take some time. There are questions of wages, and so on. The profit is made at the expense of others; but still there is profit made.

3335. Are you aware whether there has been any use by the public of the Government's notifications in 1893 and 1898 to obtain currency?—It has been availed of to a small extent; but there was possibly an exceptional cause at work in each instance.

3336. Do you think, at the present time, there is a want of confidence in the future value of the rupee?—Yes.

3337. Do you think it of primary importance to the trade of India that that want of confidence should, if possible, be removed?—Certainly.

3338. What is that want of confidence based upon mainly?—Some people say it is based on the prospect of a re-opening of the mints, but, of course, I cannot believe that, looking to the positive declarations that have been made all along by the supreme authorities that the mints will not be re-opened. In my opinion it must be based upon some defect in the currency system.

3339. Is there a fear in India—I will not say a fear, but an impression—that the Government may not adhere to the policy of 1893, and may re-open the mints?—I do not think so. Of course there are some who hope so, but I do not think there is any general impression that the mints will be re-opened.

3340. Are you, yourself, in favour of re-opening the mints?—No.

3341. Will you tell the Committee what you think the effect of re-opening the mints—even gradually, say over a period of 12 months—would be on the trade of India?—It would cause great fluctuations either in rupee prices or sterling prices of commodities interchangeable between India and gold or silver or paper standard countries, or more probably both sets of prices would fluctuate. It would drive capital out of India, and we have been told by all parties directly concerned, that it would be very difficult for India to pay her way.

3342. Do you mean pay her gold debt?—Very difficult to pay her gold debt. Were India an independent country, a fall in exchange to 11*d.* or less would probably lead to a default in payment of interest on her sterling debt.

3343. Have you anything else to say upon that?—I do not think I have.

3344. I take it your opinion would be altogether adverse to the re-opening of the mints?—Yes.

3345. Now may I ask you whether you are in favour of establishing an effective gold standard in India?—I am.

3346. Perhaps you will go back now to your first proposals that were made in 1876 and 1878?—Yes.

3347. They were repeated in July 1885?—Yes.

3348. And again in 1892?—Yes.

3349. When you published a pamphlet entitled "Ricardo's Exchange Remedy"?—Yes.

3350. Will you state to the Committee, in your own language, what you proposed? Perhaps you will first give us Ricardo's Exchange Remedy upon which you base your theory?—In 1819 the British currency was based on inconvertible notes of the Bank of England. Mr. Ricardo suggested that convertibility into gold to the extent necessary to give stability to the foreign exchanges might be secured, and all legitimate requirements met, by the simple and economical expedient of arranging that the Bank of England should sell its paper money at a fixed gold price, and buy back the notes, when desired, at 1⅛ per cent. below that price, the gold employed to be in the shape of gold bars, or any other form that would prevent its being used as a medium of local payment. That was the great point of the scheme. He said a currency is in its most perfect state when it consists of cheap material, but of cheap material of an equal value with the gold which it professes to represent, and he added that a currency of this description might be equally well issued by a government as by a bank. It is said, by way of objection to my scheme, that these arrangements applied to a bank currency, but Ricardo specially mentioned that a currency of this description might be equally well issued by a government as by a bank. This proposition of Mr. Ricardo was recommended by the Committees of the Houses of Lords and Commons appointed in 1819 to consider the expediency of the Bank of England resuming gold payments.

3351. Who was the Chairman of that Committee? You say it was a Joint Committee?—There were two Committees; one of the House of Commons, and one of the House of Lords.

3352. Then both Committees came to the same recommendation?—Both.

3353. They recommended the resumption of cash payments?—They recommended the resumption of cash payments eventually; but for the first few years the notes were to be convertible, not into gold coins—they were to be convertible into gold bars.

3354. What was the fate of that proposal?—The fate of that proposal was that it was successful. It was established simply as a temporary measure to enable the Bank to place its notes on the convertible footing as early as possible—in fact, at once.

3355. Sir Robert Peel was the Chairman of the House of Commons Committee?—Yes.

3356. That was in 1819?—Yes.

3357. How long was that plan in operation?—It was a temporary measure, and expired, by arrangement, in 1823.

3358. Then your first point would be, that what we may call Mr. Ricardo's theory was practically adopted by both Houses of Parliament—adopted by the Committee of which Sir Robert Peel was the Chairman, and embodied in legislation, and paved the way for the complete resumption of cash payments?—Yes.

3359. Now, suppose we go a little farther back, You have other precedents, both from Scotland and Ireland?—May I explain it in this way? When formulating this scheme, years ago, I based it on the legislation of 1819, but, simply for the sake of convenience and economy, I substituted sterling drafts on London for the gold bars of the Ricardo plan. It was with pleasure that I discovered, last year, that the sterling draft system had been in operation in Scotland for 40 years, and had been recommended for adoption in Ireland by a strong Parliamentary Committee in 1804.

3360. Now, we will proceed historically. Will you explain to the Committee what was the Scotch system that was adopted in 1763, after the Peace of Versailles?—After the Peace of Versailles in 1763, a great scarcity of gold was experienced in Scotland, and speculators took to "bearing" exchange very much after the fashion adopted at present by bullion speculators in Bombay. Exchange with London fluctuated 5 or 6 per cent., and, in order to fix exchange and frustrate the attempts of speculators, the Scotch banks established a gold fund in the Bank of England; and, by offering drafts on London at ½ to 1 per cent. over the speculators' rate, they gradually brought the exchange to par, and with the aid of this conversion fund they maintained exchange at this level up to 1804, and until gold coins were again used.

3361. Can you give us any idea as to the extent of the operations that were covered during that time. I mean the extent, say, of the gold fund in the Bank of England. Have you any idea of what the proportion would be between England and Scotland?—My information is taken solely from the Committee reports of 1804 and 1810.

3362. Is that information given there?—So far as I know, it was not given. Of course the Scotch banks must have arranged with the Bank of England to obtain, when necessary, temporary advances; without that no conversion scheme could stand.

3363. I wanted to see whether the Scotch banks had a sufficient gold fund in London to cover their drafts, or whether they also had arrangements with the Bank of England in addition to that gold fund, so that they could get accommodation from the bank?—Details of that description I have not got here.

3364. But I suppose it is probable that that would be so?—Yes.

3365. Would that arrangement be effectual and economical?—It is obvious that it would be so.

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3366. Why?—The exchange could not fall as long as remitters could get drafts on London at par in exchange for local currency, and the expense of convertibility was minimised as much as possible because the only notes converted were those which would, if unconverted, have been used in buying bills below par. Had the Scotch banks offered to convert their notes into gold coins, the coins might have been used in the local circulation instead of the notes, or they might have been hoarded, and in this way more notes would have been tendered for conversion and more gold would have been required than was really necessary for fixing exchange; but by making the local currency convertible into drafts on London, that could not be used in the local circulation, a maximum amount of paper money was kept afloat at a par with gold. Under this simple system the paper currency of Scotland worked as regularly and as automatically as any gold currency. There was no arbitrary contraction of the currency, no dread of a fall in exchange such as the present Indian system engenders with the result that capital is repelled and expelled from the country, causing severe stringency every now and then in the Indian money markets.

3367. That system lasted you say till 1804?—My information is based on the report of 1804, and it was in operation then evidently from the report.

3368. Now, was there any Irish parallel or any recommendation as to Ireland in 1804?—In 1804 this system was recommended for adoption in Ireland. Towards the end of the 18th century there was a scarcity of gold coin in Great Britain and Ireland, owing to the drain of gold required to carry on the great conflict with France, and so scarce did gold coin become that an Act had to be passed, called the Restriction Act, forbidding the Banks of England and Ireland to give gold in exchange for their notes.

3369. That practically was a suspension by the banks?—Yes.

3370. That extended both to Ireland and Great Britain?—Yes.

3371. What was the special recommendation of the Committee of 1804 with reference to the transactions of the Bank of Ireland?—The difficulty was that there was a fluctuating exchange between the Bank of England and the Bank of Ireland. As long as both these banks gave gold for their notes, the two currencies were linked together by the tie of convertibility, and there was fixity in exchange between Great Britain and Ireland, just as in bimetallic time the rupee currency and sterling money were interchangeable and linked together by the Latin Union system.

3372. In India?—The Latin Union system linked silver and gold money all over the world, including India. The Irish exchange, under the Restriction Act, like the Indian exchange after the breakdown of bimetallism, became unsteady, and fluctuated to such an extent that a strong Parliamentary Committee, consisting of Pitt, Fox, Foster, Canning, and others——

3373. That Committee sat in 1804?—In 1804. They were appointed to report on the position, and devise a remedy.

3374. Then, how did they report?—The report was made under the following heads:—First, as to the fact of an unfavorable exchange existing, and to what extent; and secondly, as to the causes which created it.

3375. Both those are local, and confined to those times. What was the third point?—As to the remedies which can be resorted to for either removing or alleviating the inconveniences arising from it.

3376. Can you just give us an extract from the Committee's report?—As to the remedies, the report says: "Such remedies, therefore, as may answer to "give redress, are next to be considered, and the "great object of many of those which have been "suggested, is the procuring a common circulating "medium in the two countries. With this view, a "consolidation of the two banks of England and "Ireland has been proposed and supported with very "plausible arguments by Mr. Borrowes; but its "expediency seems rather problematic; and when "the rapid advances which the manufactures, trade, "and agriculture of Ireland have made since the "establishment of the bank, and the great assistance "which they have received from it, under the wise "and liberal conduct of its directors, are considered, "your Committee cannot recommend putting those "benefits to a hazard, even if the redress of a high "exchange could be ensured thereby. But, putting "the hazard out of the question, the measure seems "impracticable without the consent of both banks, "which the evidence shows is very unlikely to be "procured. Other modes of obtaining a common "medium, such as that of inducing, or even com-"pelling, the Bank of Ireland to give Bank of "England notes in exchange for their own, on "demand, or to make their own exchangeable for "them in London, or to give bills of exchange on "London for them, have been suggested; and there "is no doubt any of them would have the effect of "rectifying the exchange. The objection that has "been made to this proposal is the difficulty and "expense to the Bank of Ireland which would attend "the procuring a fund in London on which to draw. "On this your Committee observe, generally, that "neither the difficulty nor the expense attendant on "this measure would be so great as that to which "the bank, by its constitution, is necessarily subject "at all times when not protected by a restriction from "performing its engagements; and whatever funds "the bank formerly applied, or intend again to apply, "on the removal of the restriction, to provide for the "difficulty and expense of obtaining a supply of "gold, might, in the interim, be applied to the "procuring of English bank notes. The evidence of "Mr. Winthrop points out the practicability of "obtaining a sufficient supply of Bank of England "notes with such a fund; his expression is that "'The Bank of England, or any person, may procure "'bank notes now to any extent, if they will pay for "'them.' But Mr. Mansfield's evidence so clearly "shows the practical mode of carrying this measure "into effect, that your Committee cannot impress it "too strongly upon the attention of the House; it "shows, in the example of Scotland, how effectually "a very small sum, vigorously and wisely applied, "did operate, and that banks there did establish "an adequate fund with ultimate advantage to "themselves."

3377. Mr. Mansfield, I see, was a banker in Edinburgh, of the firm of Mansfield, Ramsay & Co. Now, what became of the report of the Committee?—The recommendation was not carried into effect. As far as I can make out, the reason was this, that shortly after 1804 the Bank of England notes themselves began to depreciate, and the desire to fix the exchange between the two countries no longer existed.

3378. That report, practically, was not embodied in legislation?—That report was not embodied in legislation.

3379. Now, we will come down to your own proposals in 1876. Will you give us, shortly, what the theory of your original scheme was in 1876, and tell us how you have modified it now?—It was practically the same as my present scheme, with the exception that in 1876 I proposed that the rate should be maintained at the rate of the day then, or the rate for a few years previously to that, namely, 2*s.* and 1*s.* 11*d.*, the difference being about 4 per cent. or what was in those days the cost of specie transmission.

3380. Let us get first what your proposal is; as a mere matter of detail, give us the basis of your proposal?—I consider it highly desirable in a country such as India, where custom is all important, that in establishing a gold currency no change should be made in the existing circulating media. The present silver and copper tokens are as acceptable and popular as could be desired. They are convertible into bank drafts on London at varying rates of exchange; and all I propose to do is to make them convertible for large sums into Government drafts on London at

1*s.* 3$\frac{3}{4}$*d.* This change will pass unnoticed, except by the intelligent few, and it is satisfactory to find that by this almost imperceptible process the Indian currency will be placed on a footing which Ricardo and other great authorities have advocated as the best of all currency systems, viz., one in which the currency media used in the internal circulation are confined to notes and cheap token coins, which are made to act precisely as if they were bits of gold by being made convertible into gold for foreign payment purposes.

3381. You mean convertible outside India?—Convertible outside India.

3382. I want the Committee thoroughly to understand from you, in your own words, what the scheme is. Just tell us what the scheme is from the beginning of the transaction to the end. We understand that you do not propose to interfere with the silver currency in India. You leave that alone?—I propose that 10 millions sterling should be raised in London by a long-term loan (say 15 years' currency), and should be deposited in the India Office or the Bank of England. The fund might be styled the Gold Standard Reserve, and the office dealing with it might be called the London Gold Standard Office. It should be announced that the London Gold Standard Office will be prepared to sell to all applicants rupee drafts for sums of Rs. 15,000 and upwards in exchange for sterling money at the rate of 1*s.* 4$\frac{1}{16}$*d.* per rupee.

3383. Then your first limit is, that it should be confined to operations outside India, and your next limit is, that it should be confined to operations of at least Rs. 15,000?—Yes. I propose, on the one side, a limit of 1*s.* 4$\frac{1}{16}$*d.*, and, on the other side, a limit of 1*s.* 3$\frac{3}{4}$*d.*, and that the limit of amount should be, in the case of rupees, 15,000, and in the case of sterling, 1,000*l.* The rupee drafts should be drawn on two offices, to be opened either in the Indian mints, or in the Calcutta and Bombay Presidency Paper Currency Offices.

3384. This is to be entirely a Government operation?—Entirely a Government operation.

3385. This operation of the Government of India is to be of a two-fold character: First, to establish a gold standard fund in London by providing 10 millions sterling in gold, and secondly, the manipulation of that fund for the purpose of the exchange is to be carried on by another department of the Indian Government, which is to be localised in Bombay or Calcutta, or both?—I propose three offices, one in London, one in Calcutta, and one in Bombay. The duties will be purely mechanical.

3386. I want to see, first, what the machinery is. This is your machinery?—Yes. The rupee drafts should be drawn on two offices to be opened either in the Indian Mints, or in the Calcutta and Bombay Presidency Paper Currency Offices. These offices might be styled the Indian Gold Standard Offices. These drafts should be made payable on demand if there are rupees available in the Indian Gold Standard Office.

3387. You mean the drafts from London?—The drafts from London.

3388. That would be equivalent to the Secretary of State's Bills under the present system?—The London Gold Standard Office would meet all applications at the rate of 1*s.* 4$\frac{1}{16}$*d.*

3389. But the operation would be the same. They would pass into the silver currency at sight?—But, the Council bills are cashed out of the Government balances. These drafts must not be so cashed. If there has been a redundancy of currency in India and applications for sterling drafts, there will be rupees in the Indian Gold Standard Office to meet the drafts. Should there be no such fund of rupees in the Indian Gold Standard Office, then silver bullion must be purchased; or if, as would be very desirable, the provisions of the Gold Note Act of 1898 could be incorporated in the scheme, that will enable notes or the rupees in the Paper Currency Office to be used to meet these drafts. Gold will be held here or silver bullion will be purchased and despatched to India for coinage as security for the notes issued.

3390. But, at the present time, there has never been any difficulty in cashing the Secretary of State's bills. Why should there be more difficulty in cashing these drafts than in cashing the Secretary of State's bills?—Government money must not be used to meet the Gold Standard drafts. These drafts should be made payable on demand if there are rupees available in the Indian Gold Standard Office. If not, they should either be paid on demand at the Paper Currency Department, or the drafts should be drawn at a currency affording time for coinage in India of silver bullion purchased in London with the sterling money. That is to say, if there is a demand for rupees, and there are no rupees in the Indian Gold Standard Office, the Government will sell rupee drafts, and with the sterling money they get they will purchase bullion and ship it out to India, and arrange so that this bullion will be coined to replace the rupees of the Paper Currency Department with which they have paid the drafts.

3391. Practically, the operation will be just the same as it would be if the notifications of 1893 and 1898 were carried out; that is, there is a payment of gold in London, and, as against that payment of gold in London, the owner of the draft would receive currency at the rate you mention in Calcutta?—Precisely.

3392. And that would be an arrangement which the Indian mints could undertake; it would depend on the state of the bullion market?—The mints can supply the rupees with profit when silver bullion costs 41$\frac{3}{4}$*d.* per ounce. The lower the price of silver the greater the profit.

3393. (*Sir F. Mowatt.*) What would be the usance of the draft sufficient to give time for the coinage in India of silver bullion purchased in that way with sterling money in London?—One month's date would give time for the bullion to arrive in India. The rupees taken from the Paper Currency Department balance might be replaced by the bullion sent out by the London Office. To revert to the proposed machinery, it should be announced that the Indian Gold Standard Offices will be prepared to sell to all applicants sterling drafts on the London Standard Office, payable on demand, in sums of 1,000*l.* and upwards.

3394. (*Chairman.*) This is the reverse operation?—This is the reverse operation.

3395. This is the transmission of rupees from India to be turned into gold in London. You have been giving us before the transaction of the issue of rupees in India for gold paid in London. Now, this is the reverse operation?—Yes. The Indian Gold Standard Office would sell sterling drafts on the London Standard Office, payable on demand, in sums of 1,000*l.* and upwards, in exchange for rupees, at the rate of 1*s.* 3$\frac{3}{4}$*d.* per rupee. All rupees received by the Indian Gold Standard Offices should be held in these offices to meet the rupee drafts drawn by the London Gold Standard Office. All gold received under Notifications No. 2262–4, of June 1893, should be made over to the Indian Gold Standard Offices, on their requisition, in exchange for rupees, at the rate of 1*s.* 4*d.*, and should be sent by them to the London Gold Standard Office. That is, of course, an arrangement made under special circumstances, which will be afterwards explained. If the gold standard reserve should decrease at any time to "apprehension point," *i.e.*, show a likelihood of becoming exhausted, it would indicate that the rupee currency was seriously redundant, or, in other words, that there were too many rupees in circulation; and some of the surplus rupees might be used to replenish the Gold Reserve in London.

3396. How would you do that?—Government should take the step contemplated by the Dutch Government in 1884, and melt a portion of the rupees held in the Indian Gold Standard Offices, despatching the bullion to London for sale there for sterling

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money, which should go to strengthen the London Gold Standard Reserve. The loss on the operation would not necessarily be permanent, as it could be recouped afterwards by buying silver and coining it. In case this part of the scheme may be misunderstood, let me say that the proposal to melt rupees under these circumstances is not made with the object of reducing the rupee currency, but with the object of replenishing the London Gold Reserve. That was the object of the Dutch Government.

3397. I suppose the Indian Government would say that that is the meaning of their proposals with reference to six crores. Yours is to remove redundancy, and theirs is to curtail redundancy?—I submit that redundancy under my scheme is not removed by the melting of rupees but by the withdrawal of rupees tendered for conversion.

3398. But you say that the fall of the gold standard to what you call apprehension point indicates a redundancy of rupee circulation?—Yes; and then to enable the withdrawal of rupees tendered for conversion to be continued melted rupees are sold. It is to enable the Government to replenish the London Gold Reserve that I propose that the rupees should be melted.

3399. Before you go further, you have given us these three figures, which I should like you to explain. I want to know why you fix upon 10 millions sterling, why you fix upon 1*s.* $4\frac{1}{16}$*d.*, and why you fix upon 1*s.* $3\frac{3}{4}$*d.* First, why do you fix at 10 millions sterling the sum which you think necessary for the gold standard fund—I presume it is not an arbitrary figure; you have some basis of calculation?—In estimating the utmost possible extent of a foreign drain one must look to the balances of the Presidency banks, which contain all the funds likely to be tendered for conversion into sterling money, remembering that these funds increase steadily when trade shows an adverse balance; and the problem is to fix upon an outside limit beyond which these banks could spare no further funds without raising their rates of interest to a height that will attract capital, depress prices, and create a demand for return of the currency exported. It is difficult to bring currency back unless there is confidence in the future of exchange; but, given conditions that will inspire confidence, I estimate that 5,000,000*l.*, assisted with a prohibitive duty on silver, or 10,000,000*l.* without such assistance would be sufficient, or, say, 10 to 20 crores of rupees, including proceeds of melted rupees, is more than India can spare at any period. If I might be permitted, I should like to read some authoritative opinions upon that rather important point.

3400. May I put it in this way, that you base your figure of 10 million pounds, 5 millions, or $7\frac{1}{2}$ millions—I quite see the reasons why you vary the figure—upon the average balances of the Presidency banks as indicating a limit below which they dare not go in depriving themselves of rupee currency?—Yes, a great deal in excess of the average, in fact, much in excess of the highest balance the Presidency banks have ever shown.

3401. May we take it that the general mass of the Indian people would not be remitting to London or wanting gold there? You consider that the remittances would come mainly from the banks, that the banks, if they wanted to convert into gold, could not spare more than a certain sum for gold conversion?—I would rather put it in this way, that the demand for remittance to London will come not only from the exchange banks but from the general body of the community; but still we know, as a matter of experience, that these remittances come through the medium of the banks, and we have every reason to believe that 10 millions sterling, which I shall afterwards show to be sufficient to reduce the rupee currency by 20 crores, is more than ample under any circumstances.

3402. You are not at all influenced in fixing that figure by the amount that would have to be remitted to meet, under the present system, the Secretary of State's bills?—I include everything.

3403. Now, will you read us your authorities?—Here are a few authoritative opinions and precedents in support of my view. Some people have looked at and criticised my scheme on the strength of the total exports from India. I say, you should not look to exports at all; you should look to the Presidency balances, making ample provision over and above anything that they show is likely to be required. First of all, Mr. James Wilson, the founder of our present paper currency system ——

3404. Do you mean Mr. James Wilson who was the first Indian Finance Minister, or rather the first Finance Minister sent out?—Yes. He is a well-known authority. In his book on "Capital, Currency, and Banking," he says: "When a drain sets in, "which merely means when it becomes profitable to "export the commodity gold, such demand will act "on the stocks of bullion and on the coin in the "reserve at bankers, but not directly on the coin "constituting the actual circulation, at least until all "those reserves were actually exhausted and then "a struggle would commence between those who "required coin for circulation and those who required "it for export. To this point a drain never yet has "proceeded with a convertible currency, nor can we "conceive any circumstances under which it is likely "to do so." Then the second authority I will quote is John Stuart Mill. In his "Principles of Political Economy," Book 3, chapter 22, he says: "Gold "wanted for exportation is almost invariably drawn "from the reserves of banks, and is never likely to "be taken from the outside circulation while the "banks remain solvent." Then Mr. Goschen in addressing the London Chamber of Commerce in December 1891, on the metallic reserve says: "We "only have as an effective circulation that which is "required for the daily wants of the people. You "cannot tap that to any extent so as to increase your "central stock of gold. You may raise your rate of "interest to six per cent. or eight per cent., but the "bulk of the people will not carry less gold in their "pockets than they did before, and I doubt whether, "from other quarters, you would be able to get much "addition to your central store." Then I will read this extract from Ricardo's "On the high price of bullion." "The exportation of specie may at all times be safely "left to the discretion of individuals. It will not be "exported more than any other commodity, unless "its exportation should be advantageous to the "country. If it be advantageous to export it, no "laws can effectually prevent its exportation. ". . . . The exportation of coin is caused by "its cheapness. . . . . We should not import "more goods than we export, unless we had a re-"dundancy of currency." Then Professor Sumner, a well known American authority writes: "The "balance of imports and exports never can move the "exchange either above or below par, more than just "enough to start a movement of bullion. On a specie "system, any outflow of bullion would bring down "prices, and immediately make a remittance of goods "more profitable than of bullion, and if the exporta-"tion of bullion was artificially continued (as for "instance to pay the expenses of a foreign war) it "would reduce prices until a counter-current would "set in, and restore the former relative distribution "all the world over."

3405. Now, why do you fix, as you have done, the par of exchange between the sterling and the rupee at 1*s.* $4\frac{1}{16}$*d.* on the one side and 1*s.* $3\frac{3}{4}$*d.* on the other?—1*s.* $4\frac{1}{16}$*d.* I fixed for the sale of rupee drafts. The reason for that is the general expectation that 1*s.* 4*d.* will be the rate fixed; and, I believe, that many contracts have been entered into on that understanding.

3406. Outside that, have you any reason for fixing it?—The reason why I fix it at 1*s.* $4\frac{1}{16}$*d.* is this, that under present arrangements gold can be tendered for exchange into rupees at the rate of 1*s.* 4*d.* in India,

I, myself, think it desirable that those gold transactions should be kept out of India as much as possible, so I make the rate at 1*s.* $4\frac{1}{16}$*d.*, which will suit the banks better, that is to say, the banks will prefer to buy drafts as a rule at 1*s.* $4\frac{1}{16}$*d.* instead of sending out gold to be exchanged into rupees at the rate of 1*s.* 4*d.*

3407. But suppose it was part of any scheme that that notification should be rescinded, and that there should no longer be power to compel the Government to give rupees at the 1*s.* 4*d.* rate, then have you any reason why you should prefer 1*s.* 4*d.* or 1*s.* 3*d.* or 1*s.* 6*d.* or 1*s.* 2*d.*?—I consider it is the general expectation amongst the commercial community in India that 1*s.* 4*d.* is the rate that will be fixed, and I think that some capital has been, if not sent out, at all events retained there on that understanding.

3408. All that is based on expectation well founded or otherwise; but in the state of trade do you think there is any reason for prferring the one rate to another?—Seeing that for the last 10 months or so the rate of exchange has ruled at 1*s.* 4*d.* or very near 1*s.* 4*d.* especially seeing that of late we have had a very active export trade, I think that prices must have adjusted themselves fairly well to the rate of 1*s.* 4*d.*

3409. But you are aware that a great many of the export trades in India complain of the very high rate of 1*s.* 4*d.* Let us take two of the trades especially concerned, the Indigo trade and the Tea trade?—I should certainly very much rather see convertibility at once introduced at the rate of 1*s.* 3*d.* than postpone convertibility for a day. It would require a smaller conversion fund; there would be less demand for conversion into gold, no doubt, at the rate of 1*s.* 3*d.* than at the rate of 1*s.* 4*d.*

3410. So far as your scheme is concerned the par of exchange is an unimportant consideration. Your scheme works, supposing it is 1*s.* 2*d.*, 1*s.* 4*d.*, 1*s.* 6*d.*, or 1*s.* 8*d.*?—I should be very sorry to fix any rate of exchange that would disturb trade.

3411. Do you think that trade would be disturbed by a higher rate than 1*s.* 4*d.*?—Certainly.

3412. Why?—Because it appears to me to have adjusted itself fairly well to 1*s.* 4*d.*, if anything to a rate slightly lower than 1*s.* 4*d.*, but certainly it has not adjusted itself to a rate higher than 1*s.* 4*d.*

3413. Let us take the average of the last 6 years. That is nothing like 1*s.* 4*d.*, is it?—But seeing that at present the export trade is very active at the rate of 1*s.* 4*d.*, it appears to me that the export trade has now adjusted itself to that rate.

3414. But the 1*s.* 4*d.* rate has only prevailed for the last 12 months?—But an adjustment of that kind between prices and exchange is immediate.

3415. Immediate?—In this way. If sterling exchange rises or falls, there is necessarily an immediate adjustment of prices either rupee prices or sterling prices.

3416. But why do you take the adjustment which has gone in 1898 to 1*s.* 4*d.* and say that that should be the permanent standard; because, according to your argument, they were equally adjusted in 1895 and in 1891 and 1892, when there was a totally different rate?—A small adjustment in current prices will not disturb trade much.

3417. But the Secretary of State's bills is a very large adjustment, is it not?—I mean, a small adjustment, such as a small fluctuation in exchange will cause, I do not think will have any very lasting effect.

3418. You think then at present there has been an adjustment of prices in India to the 1*s.* 4*d.* rate both in the import and export trade?—I think so.

3419. Has it extended to wages?—I think myself that wages are not affected by a fluctuation, unless it is a very serious fluctuation.

3420. Is not a fluctuation from 1*s.* 2*d.* to 1*s.* 4*d.* something like 14 per cent?—But I do not think that trade has been on the basis of 1*s.* 2*d.* for some time past.

3421. Do you not think that to make the operation perfectly complete wages must be adjusted, because I suppose the fact of a high or low rate would affect both the price of food and the price of clothing. Should it not also affect the price of labour?—But look at the enormous fluctuations we have had. We have had a fall from 2*s.* down to 1*s.* 1*d.* I do not think that a fluctuation of 14 per cent. would have very much effect on wages.

3422. You think that the internal value of the rupee has remained very much the same, totally irrespective of the fluctuations in its external exchange value?—The rupee with regard to prices in India has remained pretty much the same. A rate of 1*s.* 4*d.* would in my opinion not at all disturb the value of the rupee for wages and so on. For 10 months past the rate of exchange must have averaged 1*s.* $3\frac{3}{4}$*d.* or thereabouts, and it was only for a short period below 1*s.* $3\frac{5}{8}$*d.*

3423. Of course under the present law it could not go above 1*s.* 4*d.*?—It could not go above 1*s.* 4*d.* plus cost of transmitting gold.

3424. Do you think that the establishment of your scheme would lead to any alteration in the sale of the Secretary of State's bills?—I propose that they should be sold as at present.

3425. But if the balance of trade was against India, and if the Secretary of State found it impossible to sell the full amount of his Council bills, say, at the rate of 1*s.* $3\frac{3}{4}$*d.*, what would then have to be done to enable the Indian Government to meet its sterling liabilities?—The Secretary of State's bills must always be saleable at or about 1*s.* $3\frac{3}{4}$*d.* as long as rupee currency is convertible into sterling money at the rate of 1*s.* $3\frac{3}{4}$*d.*

3426. That is, there could not be two rates—one in London, and one in Calcutta?—No. The competition between the exchange banks would prevent that, and, if necessary, outside competition.

3427. Then, taking trade and finance generally, what do you think would be the effect if your scheme was adopted?—Exchange would be fixed within convenient limits.

3428. Limits of what—do you mean limits of price?—Exchange would be between 1*s.* 4*d.* and 1*s.* $3\frac{3}{4}$*d.*

3429. You mean the range of variation?—The range of variation would be between 1*s.* 4*d.* and 1*s.* $3\frac{3}{4}$*d.* Interest rates, while higher in India than in England, could never vary to any great extent from London rates, because the two currencies would be linked together.

3430. That is to say, the lender of sterling capital, the rate at which he lent his capital in India being fixed, would not be subject to any fluctuation in his interest or principal. Is that it?—In my opinion interest and profits will be greater in India than in England, but there never could be any great fluctuation. For instance, our late position with a 12 per cent. rate in India, and 4 per cent. rate here, could never occur with the two currencies readily interchangeable and flowing backwards and forwards. Money would flow to India to take advantage of the high rates there. Prices would cease to be disturbed by the fluctuation of sterling exchange.

3431. You spoke about the general rate of interest. Your observations apply to discount rates as well?—The Bank's discount rate for short dated paper never varies much from its interest rate on demand loans; and, as a rule, the bazaar rates for first class hundis follow the bank rate in ordinary circumstances. First class shroffs stop borrowing, as a rule, when rates rise above 8 per cent. or so.

3432. But that is affected by the deficiency or sufficiency of the currency?—It is affected by the sufficiency or deficiency in the money market, but under my scheme, money flowing backwards and forwards freely, the bank rates and discount rates could never rise much higher than in London.

3433. Then your scheme is the establishment of a gold standard without a gold currency?—Yes.

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3434. And you think that would establish confidence in India, and induce the flow to India of loanable capital which is not now flowing in that direction?—No London capitalist could question the return of his capital without loss, provided the Government of India guaranteed that the rupee currency should be convertible into sterling drafts in London, at any time, at the rate of 1*s.* 3$\frac{3}{4}$*d.* There would not, I think, be any want of confidence on the part of London capitalists in the guarantee of the Government of India.

3435. (*Lord Balfour of Burleigh.*) You said, and, I suppose, everybody will agree with you, that in the busy season in India there would be a demand for more currency than when business was inactive and slack?—Yes.

3436. Can you apply any test so as to measure the necessities of the country at the two different periods of the year?—The best test is the rates—the bank rates of interest, and also the rate of exchange.

3437. Of course that is so when the demand goes up and down, but there is a great deal of controversy as to whether currency is redundant or not. You hold that it is not, and the Government of India hold the contrary opinion. It is obvious from what you have said, that what is sufficient for the necessities of trade in India at one period of the year would not be sufficient at others. My question was not so much directed to asking whether there was a difference in the rate of demand for it, and what had to be paid for accommodation, but to seeing whether it was possible, in your opinion, to get any estimate of the different amount which could be properly employed at one period of the year and at another?—I think the best indication of the variation in the amount of currency required would be shown in the Presidency Bank balances, which are always much lower during the busy season than during the slack season.

3438. Which Presidency banks do you mean?—The three Presidency banks—the Bank of Bengal, the Bank of Bombay, and the Bank of Madras.

3439. If you have not already given us the figures, will you tell us over a series of years what are the different amounts which have been standing at the banks at certain test periods of the year which you think would best show it?—I have here the combined balances of the three Presidency banks at the end of each month since the mints were closed. In July 1893 the combined balances of the three Presidency banks amounted to 8 crores 63 lakhs.

3440. (*Mr. Hambro.*) Including the Government?—Including the money deposited by Government. In February of 1894, which you may take as the busy season, these balances had fallen to 4 crores 36 lakhs. In November 1894 the combined balances were 10 crores 45 lakhs. In February 1895, 4 crores 65 lakhs.

3441. (*Lord Balfour of Burleigh.*) What is the extreme variation between the highest period in a year and the lowest period?—Taking the closing balances each month, the variation has not exceeded 6 crores any one year.

3442. Would you, under your scheme, expect that that amount of bullion would ever be moved between London and India in the course of a year?—I do not think so. Of course it would be very profitable to Government if these large movements of currency did take place, because the Government would be buying the surplus rupees during the slack season at the rate of 1*s.* 3$\frac{3}{4}$*d.*, and would be selling them again during the busy season at 1*s.* 4$\frac{1}{16}$*d.*, that is to say, at a profit of 2 per cent. No doubt that would be profitable, but it is probable that the exchange banks would, as a rule, find it better to hold over a large part of their capital. It would depend very much whether there was a great demand for money in London at the time, but, as a rule, I think, the demand for conversion would not exceed that sum.

3443. But, if I understood your answer rightly, the tendency would be for the transfer of bullion from London to India and *vice versâ* at different periods of the year?—Yes, the slack season in India corresponds very much to the busy time here. This is a point in favour of the scheme. The slack season in India is in the autumn, and at that time in India money is often plentiful, and I have no doubt the exchange banks would find it profitable to take advantage of the Government scheme and remit money in the autumn from India to London and get it back again in the busy season.

3444. But you would look at that without apprehension, so far as the interests of the Government are concerned, if it was done at the times you suggest? Not only it could not do the Government any harm, but it would be a means of advantage to them?—Just so.

3445. In the first words of paragraph 6 of your scheme, you say, "If the gold standard reserve should "decrease at any time to 'apprehension point,' *i.e.*, "show a likelihood of becoming exhausted, it would "indicate that the rupee currency was seriously "redundant, or, in other words, that there were too "many rupees in circulation, and it would be the "obvious duty of Government to curtail the "currency." Do you mean by that that if there were rupees idle in India they would be employed, under your scheme, in buying drafts on London?—They would be employed, if held by remitters, in buying drafts on London.

3446. But you have just told me that you do not think that that would ever go to the extent of the balances which are held in the banks?—The Gold Standard Office remittances, in my opinion, would be almost invariably made by the exchange banks, and the exchange banks would not like to lose the profit which the Government might gain by the transaction. It is simply a question of profit or loss. If money were in demand in London, and exchange banks could not buy mercantile bills on better terms, then advantage would no doubt be taken of the opportunity of remittance, but the limit would be the currency which the Presidency banks could spare.

3447. Can you give me in sterling value the number of crores which represent the variation between the extreme low and high?—The variation shown in the figures that I gave was 6 crores, which would amount to 4 millions sterling.

3448. Do you think that there would be any risk of this scheme of yours drawing hoards from private sources in India into the banks and so increasing the balance, and thereby tending to make an increase in remittances home?—I think that of all schemes that have been proposed this scheme would have the least effect in tempting rupees out of hoards for exchange into gold.

3449. I might grant that, but that is not quite a sufficient answer to the question I put. Therefore, I think, I must ask you to go further?—I will put it in this way. Take first the proposal to have a gold currency. If you have a gold currency in India there can be no question I think that the hoarders will prefer a handy coin of full metallic value.

3450. Some people say that they like a coin of less value in relation to its bulk because a large amount in value is not so easy to run away with. I do not know whether that affects your mind at all?—I am afraid they are wiser than that. They prefer a small coin, such as a threepenny piece, to a penny. That, I think, is a very convincing argument, that, were a gold currency in operation, the hoarders would prefer a handy coin of full metallic value to a coin bearing a heavy extrinsic value.

3451. But, under your scheme, he would not get that amount?—Under my scheme no facilities would be given. Of course, were a gold currency established, gold would be on the spot and each hoarder of 15 rupees could get a gold coin. Under my scheme the conversion rate of exchange would be 1*s.* 3$\frac{3}{4}$*d.*, that is to say, a hoarder would find that under the Government scheme he would have to pay 15$\frac{1}{4}$ rupees for his gold sovereign. An Indian hoarder would not do that, because he would consider that sooner or later the exchange must rise to 1*s.* 4*d.*, and that that would be the proper time to buy his gold. It would

not be advisable for him to take advantage of the Government offer.

3452. I can quite understand Mr. Lindsay arguing that; but do you think the average hoarder in India would know anything about it?—Well, the native is generally keener on these points than Europeans.

3453. Still, do you think there is any risk of the 1*s.* 3¾*d.* rate tempting people who have hoards to put them into gold, and so withdraw a large amount of the gold from general use?—I think not. In the first place, at the rate of 1*s.* 3¾*d.*, they would be buying gold at its most expensive point; and, in the next place, hoarders are not the people to buy sterling drafts on London.

3454. I can understand that; but would not a business grow up of getting deposits, and a person who is the banker doing transactions on a wholesale scale?—There is the same position at present. They can buy gold on cheaper terms at present, and they are not doing it to any inconvenient extent. At present they can—or at least recently they could—get drafts on London on better terms than 1*s.* 3¾*d.*, and they have shown no disposition to do so. The great point about my scheme is that the gold is not placed before them in the shape of legal tender coin, and held out to them in exchange for rupees.

3455. But do you go the length of saying that you do not think it would be found that such a business as I have indicated would grow up?—As far as our experience goes, there is nothing to indicate that. Take bimetallism times, when the price of gold was fixed. There was no disposition shown then on the part of the hoarders to exchange their hoards for gold. What the hoarders want is a current coin. These hoards are held for future use, and what they prefer is a current coin. Were gold coins current, I have not the least doubt that hoards of rupees would be exchanged for gold coins.

3456. (*Sir F. Mowatt.*) And would go back into hoard afterwards?—The hoarders, finding gold coins of full metallic value in circulation, would naturally substitute them for rupees bearing heavy extrinsic value. A man who hoards looks a great deal to the metallic value of the coin, and he would exchange his hoards of rupees for gold.

3457. (*Lord Balfour of Burleigh.*) This can only, of course, be conjecture and opinion; but, with your experience, are you absolutely without apprehension that the sum of 5 millions to 10 millions would be exceeded?—I have no apprehension. Suppose the gold conversion fund did show signs of reaching apprehension point, at that time, of course, the Indian Gold Standard Office would be very full of rupees, and by melting down these rupees, and replenishing the Gold Standard Office, you could, with a 10 million reserve, curtail the rupee currency to the extent of 20 crores, which is, I think, beyond question, ample.

3458. I was looking at the paragraph in which you say, "Even these sales of silver might prove to be "insufficient to preserve the gold standard reserve "from exhaustion, and, in certain events, it would "be necessary to strengthen the fund by borrowing "further on a temporary footing."?—Of course, that is simply providing for every eventuality. I point that out in my paragraph, in reply to the criticism of the "Times of India." At page 32 of my pamphlet I say this: "I was aware at the outset that criticism "might be avoided by fixing the amount of the "conversion fund at some large figure, to which "exception could only be taken on the score of "expense, because it would be easy to prove that even "then the scheme would be more economical than a "gold currency or an inconvertible rupee currency." (Of course, I had before my mind, at the time, those figures that were placed before the Committee by Mr. Arthur. [Q. No. 1806.]) "But as it is only on "exceptional occasions that there can be any large "demand for conversion of rupees into sterling drafts, "it appeared to me that the wisest course was to "fix upon a moderate permanent reserve, capable of "being extended when required by the issue of "sterling loans for short periods."

3459. I should like to ask you this question, if you will think it a not unfair question. What is it that you yourself think the weakest point of your scheme?—The one point of my scheme, of course, that is open to criticism is that question of the indefinite liability; but anyone who looks at those figures that have been laid before the Committee by Mr. Arthur must see that that objection falls to the ground entirely. I hope that every member of the Committee will look into those figures, because they appear to be all important. I cannot think that if the Herschell Committee had had these figures before them they would have for one moment hesitated to recommend immediate convertibility, especially if they had foreseen all the injury that has resulted to the country by this severe stringency in the money market.

3460. (*Sir F. Mowatt.*) In regard to the questions which have been asked you as to the deficiency of currency for ordinary trade purposes at different periods of the year, you have explained to Lord Balfour of Burleigh approximately what the difference in the amount of currency requisite would be between the busy and the slack seasons. You said, I think, that as regards last year there certainly was a considerable deficiency during the busy time of the year, but you were not prepared to say whether that deficiency would occur this year?—This slack season?

3461. Would you kindly tell the Committee what causes you think were in existence last year which caused the deficiency which you do not anticipate to exist in this slack season?—I am afraid I have not made my meaning clear. What I meant was that during the busy season of this year and also in 1897—that is to say, from November to May—there was great deficiency of currency, but I cannot say there was deficiency of currency last slack season.

3462. Do you think there were any causes which led to a deficiency of currency during the last two busy seasons, which causes would not recur during the present year or in future years?—May I take you back to the point when the scarcity of currency first showed itself? The first warning was given by the Bank of Bengal in 1896, when its rate was rushed up from 4 per cent. on 17th September to 8 per cent. on 3rd November. It was kept at 10 per cent. from 23rd December 1896 to 17th June 1897. I would like to point out that that was a very great rise in interest rates from 4 per cent. on the 7th September to 8 per cent. on the 3rd November. The Bank's letter of 21st November 1895 to the Government of India will show that it kept in view the defects of the present currency system and was prepared to take extreme measures when necessity arose. The letter was written in reply to an inquiry by the Government as to whether it would be prudent to diminish the coin reserve of the Paper Currency Department. If permitted, I will read the clause to which I refer. In reply to the inquiry as to whether the Bank thought it safe to raise the fiduciary issue of paper currency from 8 to 10 crores, the bank said that it saw no risk in the proposal, but it thought that the effect on sterling exchange would be an adverse effect. This is the paragraph that I wish to read:—"When "a currency is interchangeable with sterling money "for foreign payment purposes at or or about transit "cost (as all currencies are where sterling exchange "is fixed within convenient limits) the currency is "self-regulating. Any deficiency makes it profitable "for banks to import money, and any excess leads to an "export of money. But in India the currency has "no self-adjusting power. It has no fixed specie "export point, while its fixed specie import point "(1*s.* 4*d.* plus transit charges) is far beyond the "present range of exchange, and this want of "elasticity might create a stringency at a time when "the reserve Treasury balances were low, which "would best be met by an addition to the currency in "circulation, such as Government propose to make. "The stringency might occur suddenly and require

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"prompt relief, and, under these circumstances, I "have to suggest, for the consideration of his "Excellency the Governor-General in Council, that "the power contemplated should be obtained from "the Legislature, but should be reserved either for "use in an emergency such as above described or "until the currency is made automatic." Now, I have read that extract to show that it is the opinion of the Bank's directors that any exceptional demand for money in India may develop into sudden and severe stringency owing to a defect in the present currency system. The opinion was expressed about a year before there were any signs of pressure. The Bank were prepared for severe stringency occurring in the money market wherever special demand for accommodation arose, and that accounts for the sudden rush up of its rates whenever there were signs that money was in great demand and the supply deficient. The question, of course, is as to whether there were any exceptional causes at work at that time. There were exceptional causes, because at that time an announcement was made, or rather there was an expectation, that Council Bill sales would be curtailed. That was in September 1896.

3463. (*Chairman.*) That was after the famine had begun to show itself?—Just when the famine was beginning to show itself. It was expected that there would be a curtailment, and we looked to a heavy demand for money, which afterwards, of course, occurred. I have already given other reasons why there were special causes for stringency at that time. There was the war expenditure, there was heavy expenditure on railway enterprise, and also a large extension of milling enterprise. The jute mills in Calcutta were largely extended, and so were the cotton mills in Bombay. There is no doubt, to my mind, that there was an exceptional demand for money in those two years; but, at the same time, as long as you have an inconvertible currency, India will be liable to sudden and severe pressures for money.

3464. (*Sir F. Mowatt.*) Many of these causes we hope will recur, such as the development of railway construction, and the construction of jute mills and indigo mills, and commercial enterprise generally; but I gather, on the whole, from you that you think the present amount of the currency would be to some extent deficient during the busy times of future years?—I expect so.

3465. You called attention to the fact that during the last 10 months the rate of 1*s.* 4*d.*, or about that, has been supported; but there has been at least one artificial cause for that, has there not, namely, the contraction of the currency?—You mean the contraction of the currency has supported the rate. I think that the rate of exchange has been mainly supported by a supply of sterling bills in excess of the demand. I would say that the deficiency of the currency in the money market and in the exchange market has no doubt supported exchange. Of course, I look always to the rate of exchange being mainly determined by the relative supply and demand of sterling bills.

3466. With reference to your own scheme which you have put before the Committee, you have called attention to the fact that the object of melting rupees, which under certain circumstances your scheme involves, would not be to contract the currency; but whatever the objects of that might have been, the practical effect of melting them down and withdrawing them would be to contract the currency?—The contraction would have taken place before the melting down, because those would be rupees that were tendered for conversion, and naturally the withdrawing of them from circulation by that conversion would contract the currency.

3467. But the practical effect of the operation would be to contract the currency?—There would, of course, be fewer rupees in existence, but there would not be fewer rupees in circulation, because those rupees would have been taken out of the circulation previously.

3468. (*Sir C. Crosthwaite.*) Is that with regard to your own scheme?—Yes.

3469. There would be subsidiary borrowing?—Additional borrowing might be required for short periods. Of course, I hold the opinion, and I have given reasons for the opinion, that these additional loans will never be required.

3470. As I understand, you look forward, and you think the mercantile community look forward, to an absolute guarantee of convertibility in one form or another?—The leaders of the mercantile community in all the Presidency towns have said that an absolute guarantee of convertibility in one form or another is essential. It is only absolute and permanent convertibility that will give complete confidence to capitalists.

3471. In your schemes do you contemplate that behind the guarantee of the Indian Government there should be in one form or another the guarantee of the Imperial Government?—For my part, I think the capitalists, and they only are concerned, will have complete confidence in the guarantee of the Indian Government. It is a most exceptional guarantee, because you have the check of the Secretary of State and the check of the British Parliament. A guarantee of that kind, given by the Government of India, is quite different from a guarantee given by most other countries.

3472. You do not consider that it would be essential to confidence that the Indian Government should be able to plead that the Imperial Government was behind the guarantee of the Indian Government?—I think it is not necessary. I feel sure that the British capitalist will have full confidence in the guarantee of the Indian Government. I cannot see how any one could for a moment want anything better.

3473. (*Sir D. Barbour.*) The banks in India use their own capital, of course, in their business?—They use their own capital. The Presidency banks, you mean.

3474. Apart from any other capital they may use, all the banks in India use their own capital?—Quite so.

3475. What is the other capital that the banks have at their disposal in India?—You include the Indian Exchange banks?

3476. Yes?—Of course, they also borrow largely in one way or another.

3477. They have deposits, of course?—They have fixed deposits and current account deposits.

3478. They have balances on current accounts?—Yes.

3479. Which may or may not be subject to a limitation as regards withdrawal?—Yes.

3480. Then they have their own capital; they have fixed deposits, and they have balances of current accounts; is there anything else?—There is also the practice of borrowing deposits repayable at short notice. The Exchange Banks borrow from each other and from mercantile firms at a week's notice, and so on. They possibly get money from the bazaars on temporary deposits at a week's notice.

3481. (*Sir J. Muir.*) May I ask what rate they allow for the week?—Lately they have been allowing exceptionally high rates, as high as 1 per cent. below the bank rate. They also borrow largely by selling to the Presidency Banks sixty day bills on Bombay. There are certain seasons when it suits them to sell in Calcutta sixty days' bills on Bombay; and the Bombay branch may, in turn, sell on Calcutta.

3482. (*Sir D. Barbour.*) That gives them the use of the money for sixty days?—Yes.

3483. What has been the nature of the falling-off of the supply of capital that has caused the high rate of discount that we have now had for a considerable time?—It is partly a decrease in deposits, and partly an increase in the demands for money.

3484. The deposits have decreased?—As far as our own bank is concerned, my attention was specially drawn towards the end of 1886 to a great decrease of deposits in what is called our depositors' department.

For some time previously there had been a great increase in the deposits of constituents who were in the habit of investing their money in Government paper or in joint stock adventures, and in that way during the years of plentiful money—1891, and 1892, and from the middle of 1894 to August 1896—all these securities were very high in price, and a number of these depositors sold out their securities, thinking the price was too high; and when in time they came to re-invest, they found it impossible to do so except at a loss. In that way there was a large amount of money held at our disposal by these people. Towards the end of 1896 that money began to run down, partly owing to the great extension of joint stock enterprise. A number of new mills were started, which absorbed these funds.

3485. Now I want to make out, if possible, what the effect would be on the supply of capital of closing the mints in 1893. The closing of the mints would not reduce the actual capital of the banks, would it?—Oh, no.

3486. It could not possibly?—No.

3487. It could not have the slightest effect on it?—No.

3488. Then the fixed deposits; what effect would it have upon them? Supposing a man had deposited a lakh of rupees on interest in a bank. The fact that the mints were closed to silver would not of itself affect that deposit?—No.

3489. It could not possibly have any immediate effect?—No immediate effect.

3490. If it produced some change which made that man withdraw his lakh of rupees, it would have some effect?—Yes.

3491. But can you see how the closing of the mints would induce a man to withdraw his fixed deposit from a bank, or might induce him to do so?—As far as Indian depositors are concerned, I think the closing of the mints rather had the effect of encouraging deposits.

3492. So that there was no diminution of money deposited in the banks owing to that cause?—Not to the closing of the mints. What reduced the capital deposited in that way, I think, was the extension of mill enterprise. Companies were formed in 1895, but the capital was not called up for the most part until 1896.

3493. Are these the two chief sources on which the Indian banks depend—fixed deposits and current accounts?—Yes.

3494. Those are the two chief sources?—The two chief sources.

3495. And neither of those would be affected in any way by the closing of the mints?—No.

3496. Would the drawing of sixty day bills be affected by the closing of the mints?—No; I do not see how the mere closing of the mints could have any effect.

3497. Now, as to the temporary supply of money from the bazaars. If a man had so many rupees before the closing of the mints which he lent out in that way, I suppose he would have just as many after the closing of the mints?—Yes; the closing of the mints would not affect his lending power. Any change of that kind would arise from other causes.

3498. Capital was very plentiful in India just before the mints were closed, and for some time after?—Capital was very plentiful in India—exceptionally plentiful during 1891 and 1892.

3499. And the rate of discount was very low?—Exceptionally low.

3500. And it was low in 1893 and 1894, was it not, according to your figures?—It was not exceptionally low in 1893. The average rate in 1893 was higher than in 1891 and 1892, but it was lower than for a long series of years previously.

3501. After 1892 it appears gradually to have risen a little?—After 1892 it gradually rose, with the exception that in 1895 it was a little lower than in 1892.

3502. Do you think a high rate of discount makes a high rate of exchange?—A high rate of discount should tend to raise exchange by attracting capital from abroad.

3503. While it is attracting capital from abroad it causes the exchange to rise?—Yes.

3504. And if it attracts capital from abroad?—Yes.

3505. If it does not attract capital from abroad?—Then, if there is no confidence in exchange, and it does not attract capital from abroad, the rate of discount should have no effect on exchange.

3506. You know that the rise in exchange often coincides in point of time with a high rate of discount?—Yes.

3507. Can you explain that? You say one is not the cause of the other, and I do not contest your opinion; but can you explain it?—If the high rate of discount caused the rise in exchange, it is either because capital is being attracted, or because the banks may think that they must replenish their reserves in India.

3508. The question is this. We do, as a rule, find that the exchange rises about the same time that the rate of discount rises—that is, in the busy seasons of the year?—Yes.

3509. Can you explain how it is that the two things happen about the same time? Do you think it is due to the fact that at the busy time exports are large, that the rate of exchange rises because exports are large, and that the rate of discount rises because there is a large demand for money to move the exports?—Certainly, that is the case. The larger the amount of exports the more sterling bills are drawn, and that will raise the exchange.

3510. And simultaneously there is a larger demand for money to move the exports?—Yes.

3511. That will partly explain how it is that the rate of discount and the rate of exchange seem both to rise at the busy season of the year?—That is in my opinion the reason.

3512. You called attention to the fact that the demand for money on the banks was greatest just about the time that the Government balances were largest. I do not know whether you intend to suggest any remedy?—I think myself it is a faulty system on the whole, but I should not recommend any change being made at the present time, when the Goverment are endeavouring to fix sterling exchange.

3513. You think the thing requires examination?—I think it requires examination.

3514. You know, of course, that a great deal of the revenue of the Government is coming in all the year round—such as excise revenue, stamp duty, opium revenue, and railway revenue?—Yes. One explanation that I gave was this. The land revenue is naturally realised shortly after the crops are sold, or during the period that the crops are chiefly available for sale. For that reason the Government balances will enlarge just at the time that the commercial demands for money are at their greatest.

3515. In other words, the Government has no doubt found it convenient to call on the ryots for payment of the revenue at the time the ryots receive money by selling their crops?—Yes.

3516. And that is a difficulty which it would require a little management to get over?—Of course, I myself think that the natural remedy is at that time of the year for Government to place money at the disposal of the Presidency banks.

3517. (*Chairman.*) Will you tell us what are the months of the harvest, or when do you consider your harvest commences?—I notice that the Treasury balances run up very quickly from the months of November to March, and that the bank balances (that is, excluding the Treasury balances) run down as a rule from, say, December to March, possibly later.

3518. (*Sir D. Barbour.*) I believe that Government does on certain conditions place money at the disposal of the Presidency banks?—Special amounts,

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apart from the ordinary balances. It has not done so lately.

3519. Does the Government offer to do so on certain terms? Has there been any change in the old practice?—According to the newspapers, the Bank of Bombay applied for accommodation on that footing this year, and they were refused.

3520. On the old terms?—On the old terms.

3521. You cannot always trust a newspaper report; do you know that of your own knowledge?—I know it only from report, which report I have reason to believe. I have no official information to give you.

3522. You have no doubt as to the correctness of the report?—I have not the least doubt of it.

3523. Any person wanting to remit to India can always, or usually, get money out of the Treasury by buying the Secretary of State's bills?—Certainly.

3524. When the Secretary of State is selling bills?—When he is selling bills.

3525. And, I suppose, one way of remedying this difficulty about money in India would be for the Secretary of State to sell more largely in the busy season, and less largely in the slack season?—It would be.

3526. He does that in point of fact?—He does it in point of fact; but still we discover that, notwithstanding those extra sales during the busy season, the banks and trade generally are pressed for money during the busy season, while the Government balances run up.

3527. But if the practice of selling largely in the busy season was carried to a greater extent, there might be some relief?—Yes, but the great internal trade and financial operations deserve consideration as well as the smaller foreign business.

3528. I think you mentioned the maximum amount of the currency that you thought India could spare under your scheme?—Yes, I have not the least anticipation that in the absence of a prohibitory duty on silver 10 millions would not do, and that would reduce the currency by 20 crores.

3529. In what way?—By melting rupees.

3530. You think that is the maximum amount of rupees—10 millions' sterling worth—for which the Government could be called upon to find gold in London?—I think under a scheme such as mine that is the maximum.

3531. Now, you have worked out your scheme at 1*s.* 4*d.*, but it is a scheme that is applicable to any rate of exchange?—Any rate of exchange, so far as the scheme goes, seeing that I have recommended that should the rate of convertibility be fixed at any rate much above the current rate of exchange, the rise should take place gradually, as was done in England in 1819.

3532. But the scheme, as a scheme, is independent of the rate of exchange?—Yes.

3533. Now, assuming that the rate of exchange were fixed at 2*s.*—not that I recommend that it should be fixed at 2*s.*—but assuming it was, what do you think the effect on your scheme would be of fixing it at that high rate; would there be a greater demand for gold?—There would be a greater demand for gold.

3534. Have you any idea what the amount would be?—It would dislocate trade so enormously that it would be quite impossible to forecast the results.

3535. You cannot say what the demand for gold would be?—I cannot say.

3536. Supposing that the rate of exchange was fixed at 1*s.*, would there be no demand at all for gold?—No demand at all—at all events, for some time to come.

3537. And perhaps never?—Oh, in time I have not the least doubt that things would accommodate themselves to a rate of 1*s.*

3538. But do you not think that if you fixed the rate at 1*s.*, the first thing that would happen would be the payment of gold for rupees, and a demand for rupees at that rate in India?—There would be a great demand for rupees at that rate in India, but eventually, in course of time, that would adjust itself, and I think, in the long run, there would be no difference between the 1*s.* and the 1*s.* 4*d.* rate.

3539. I agree, but my point is, that you would have so much gold paid in, in the first instance, that that gold might be sufficient to meet all the demands for gold that would arise afterwards. Assuming the rupee to be now worth 1*s.* 4*d.*, if this system were introduced, you would get a rupee at 1*s.*, and there would be a great demand for rupees at that price?—There would be a great demand for rupees at that price.

3540. And that would mean a great deal of gold coming into the office in London?—A great deal.

3541. What I wish to ask you is, would the amount of gold coming in, in the first instance, under that system be sufficient to meet all the demands hereafter?—In all probability, because the Indian currency at the rate of 1*s.* would expand enormously, relatively to the Indian currency fixed at 1*s.* 4*d.*

3542. My object in asking these questions is to bring out what I think you will admit, that the demand for gold under your scheme is influenced by the rate of exchange which is adopted?—Certainly.

3543. At a rate of exchange of 2*s.* the Government would have to find more gold than if it adopted a rate of 1*s.*?—Certainly.

3544. And, between the two, the amount would fluctuate according to the rate?—The amount would fluctuate according to the rate, naturally.

3545. Are you satisfied (I believe you have said that you are) that at 1*s.* 4*d.* the demand for gold would not be greater than the Government could stand?—It would not be greater than the Government could stand. What I say is that 10 millions reserve would be ample to cover all demand for conversion at the rate of 1*s.* 3¾*d.*

3546. The bills on London for gold, sold in India by the Government, would have the same effect as the export of so much gold?—They would have the same effect as the export of so much gold currency.

3547. You know that in 1894-95 there was a great deal of gold exported, it was practically Rx. 5,000,000 worth?—Yes.

3548. And the exchange was 1*s.* 1*d.*?—Those exports that year protected exchange from a further fall.

3549. What further amount of gold would it have been necessary to export in 1894-95 to keep the exchange at 1*s.* 3¾*d.*?—Under a convertible system?

3550. Yes, under your system. Do you think that a small amount would have sufficed?—I think myself that, if my system had been put in operation, say, in December 1893, exchange might have been maintained at the rate of 1*s.* 3¼*d.* with a 10 million reserve.

3551. At 1*s.* 3¼*d.*?—At 1*s.* 3¼*d.*, because the rate of exchange was fixed by the stoppage of Council bill sales, fixed at 1*s.* 3¼*d.*

3552. I am talking of 1894-95; I am taking an exceptional year in order to test the thing?—I myself would not approve of a sudden rise in exchange from the level of that year to 1*s.* 4*d.* It would be most difficult to say what the result would be.

3553. That year it might have required a very large export of gold to keep the exchange at 1*s.* 3¾*d.*?—Yes, but if it had been put into operation in December 1893, I think 10 millions would have sufficed. Once you allow exchange to drop from 1*s.* 3*d.* to a little over 1*s.*, there is a new factor brought into operation.

3554. (*Chairman.*) What is the new factor?—That prices by that time have accommodated themselves to a lower level of exchange, and then it is more difficult to readjust them. It is a much easier thing to keep prices on a level than, if you allow them to drop, to raise them again.

3555. (*Sir D. Barbour.*) But with the lower exchange Indian prices would rise?—Yes.

3556. You said it would be much more difficult to raise them, but what you would have to do would be

to lower them?—You would have to lower the rupee prices.

3557. You said it is much more difficult to raise prices than to keep them on their former level?—Yes.

3558. I am speaking of prices in India?—The price of articles interchangeable between the two countries.

3559. The price of articles in the interior that are neither exported nor imported do not appear to have any effect on exchange at all?—It is most difficult to trace. There is a common belief that they do, but it is difficult to trace the connexion.

3560. I can understand that the price of exports and imports affect exchange; but I do not see how the prices of articles in the interior not exported or imported can affect exchange?—There could be no direct effect; there may be a sympathetic effect.

3561. You know there are a great many rupees in India besides those in the banks?—Oh, yes.

3562. You do not think it likely that a large number of those might come forward for remittance to England?—There is no portion of my scheme which tempts these rupees to come forward more than the present rate does.

3563. It does not tempt them, no doubt; but at the present time if a man brings forward his rupees, and wants to send them to England, he must take the chances of the market and make the best bargain he can?—No doubt.

3564. He must make the best bargain he can, and under your scheme he would be able, whatever the market might be, to get a certain fixed rate?—He would be able to get a certain fixed rate, and the result of that would be that he would not be tempted to take advantage of favourable rates.

3565. Suppose exceptional circumstances arose in India. Suppose another mutiny and that a number of persons wished to get their money out of the country. I am assuming a very exceptional state of things?—Under such exceptional circumstances—take the case of a mutiny—the Government would be only too glad to sell sterling drafts and to get hold of as many rupees as they could for war expenditure.

3566. That might or might not be so?—That would be the natural result. During the Mutiny we had large imports of silver for currency purposes, and whenever a war takes place a war fund is required.

3567. Your answer is not that there would not be this number of rupees offered, but that under those circumstances the Government would be glad to get them?—But even then, under those circumstances, the rupees for that purpose would come out almost entirely from the Presidency bank reserves, because the only people who would desire to remit would be those keeping banking accounts. The natives in general would not desire to remit.

3568. Suppose a European had property worth, say, 10 lakhs of rupees, an indigo factory, for example. If he sold that to a native, and the native paid him 10 lakhs of rupees, that would not come out of the Presidency banks?—It would be a question how the native would get his rupees. Unless he was a man who hoarded rupees they would come out of the money market eventually.

3569. But a great many natives up country keep balances of their own which are not in the banks?—I think men who would be likely to buy an indigo factory keep their money in the banks or money market.

3570. The question whether such persons would be likely to buy an indigo factory would be very much a question whether they would get it cheap or not?—It is possible, but not probable.

3571. I do not want to carry the argument too far, but it is possible that money might be offered for conversion into gold which did not come out of the banks. In your opinion that amount would not be very great?—It would not be great, a demand for 10 lakhs need not be taken into account.

3572. Now, assuming that there was an accumulation of some millions sterling offered in that way, and that there was a panic in the City of London at the time that the Government had to find that gold, what do you think would happen—assuming that the two things coincided in point of time, although, of course, that is improbable?—The English Bank Act has been broken more than once during a panic.

3573. I am putting a case not very likely to happen, but it is possible that the Government of India might be called upon to find a considerable amount of gold here, and if there was at that time a great tightness of money in the city of London, might not that state of things give rise to considerable inconvenience?—No, because the Indian currency demand for conversion would not withdraw gold from the Bank of England. The gold would merely be transferred from one current account to others in the bank. A gold currency system is also liable to break down in exceptional circumstances. During the Franco-Prussian war the French had to suspend the convertibility of their notes. I do not for a moment anticipate that the Government of India can ever be put in the position of having to suspend temporarily the convertibility of rupees into sterling drafts on London; but still that would be excusable during a panic.

3574. Almost any system you can devise breaks down sooner or later under certain circumstances?—Of course.

3575. You are aware that India is a very big country, with a large population?—Yes.

3576. Do you think that your scheme provides rather a slender mechanism for establishing a gold standard for a country like India, which is at the opposite end of the earth from England?—I think it is the best of all possible schemes under the circumstances. I cannot see why a poor country like India should not take advantage of the great saving that a scheme on the Ricardo footing offers.

3577. Now is there that great saving to the people of India in your scheme? I understand that under your scheme nobody in India can get a fresh rupee without paying 1*s.* $4\frac{1}{16}$*d.* for it?—The buyer in India has to pay 1*s.* $4\frac{1}{16}$*d.* for it, but the Government can purchase the rupee for 10*d.*, or less.

3578. It is the Government who make the profit?—It is the Government, and the Government are the trustees for the community.

3579. In that way there is a profit?—In that way there is a very great profit.

3580. You say, and it is no doubt the case, that the people of India hoard rupees—hoard the current coin?—They hoard the current coin.

3581. And if there were gold coins instead of rupees you think they might hoard the gold coins?—I think it is certain.

3582. They would to a certain extent, no doubt?—To a very large extent, I think.

3583. Is it not rather hard to say to a population of that magnitude that for all time it shall never have anything to put by for a reserve except over-valued coins?—I think myself one of the greatest gifts you can make to a population is that of a cheap and safe currency system.

3584. But it is not cheap to the individual. Is it not rather hard on a man to say to him, "You "are given to putting by coins in reserve; we will "bring about a state of things under which the coins "that you put into reserve can never be of full "intrinsic value, and will be as coins worth very much "more than the metal contained in them is worth," and therefore condemn him to the possibility of loss at a future time if anything went wrong with the scheme?—I think that habit of hoarding is an economical evil, and an enlightened government should do all in their power to discourage it.

3585. But your proposal would merely make them hoard the worse article instead of the better?—That, I think, will tend to make them discard hoarding in time.

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3586. You think they will give up hoarding altogether?—It will certainly tend to discourage it.

3587. It will take a very long time, will it not?—It will take a long time, but I do not think it advisable for Government to offer these people a full metallic value gold coin for the purpose of hoarding.

3588. What are your objections to having gold coins in circulation? One objection is to prevent hoarding. What are the others?—Expense.

3589. There is a certain saving which accrues to the Government, and to the community, and not to the individual.

(*Mr. Hambro.*) At a loss to the individual.

3590. (*Sir D. Barbour.*) It is a loss if he has ever to deal with the coin at its intrinsic value, otherwise there is no loss. Then do you think that the absorption of gold in India might go so far as to enhance the value of that metal—seriously to appreciate it?—You mean if gold coins were introduced?

3591. Yes?—I look for an enormous circulation of gold coins in India if the natives have the opportunity of using them.

3592. You look to an enormous circulation?—An enormous circulation, for this reason: India is entirely exceptional in this respect, that the natives will not use paper money, not because they have not large payments to make, but simply from an inherited dislike of paper currency; and for that reason there would be a large demand for gold coins if they were made legal tender.

3593. Do you think this would, under the circumstances, lead to an injurious appreciation of the standard of value?—I think, myself, that the two uses of gold combined—for hoarding and for internal circulation—would be so enormous that it would create a serious disturbance in the London money market.

3594. I did not ask what the effect on the money market would be, but whether the state of things you describe might seriously appreciate the standard of value; that is, cause a very injurious fall in prices?—A large demand for gold would tend to create a fresh fall in gold prices.

3595. You think it might cause a very injurious fall in prices?—I think it is a risk that India should not run into, with a large gold debt.

3596. Then you think that the risk of appreciation is a serious one?—Is is considerable. It is very difficult to say how far gold might appreciate, but I think it is a risk that a wise government would avoid.

3597. Of course the Government of India could not prevent other nations from adopting a gold standard?—The Government of India could not prevent other nations from adopting a gold currency, but I think if India establishes a currency on this footing you will find a great many countries would imitate her.

3598. Most of them have established, or nominally established, a gold currency already?—Still there are a great many that have inconvertible paper, countries such as Brazil and others, and they would find it easy to follow the example of India. I believe also that a number of other countries which at present find a difficulty in maintaining their gold currency would follow the example of India, and find it easy to maintain a gold standard.

3599. On your system?—On a system similar to this. I think the example of India would be beneficial all round.

3600. I daresay you are aware that in Russia they have gone to the very opposite of your system; I do not say that they are right, but in Russia paper is very popular, and the people do not want to take gold. But I understand the Russian Government is forcing them now to take gold instead of paper?—So I understand, and I think that is a mistake on the part of the Government.

3601. Can you give any instance previous to the present time of any country establishing a gold standard and positively taking measures to prevent the people obtaining gold for circulation?—It was done in Scotland, and it was recommended to be done in Ireland. The system prevails very much in Holland at present.

3602. In Scotland, was there any objection to gold circulating at the time the scheme was introduced there?—The bank notes were made convertible into drafts on London instead of into gold coins, for the sake of economy.

3603. But have you ever heard of a nation introducing a gold standard, and at the same time taking steps to prevent the people from having gold coins?—In Holland, at the present moment, they discourage the use of gold for internal purposes as much as possible, but they do not actually prohibit it. In Canada, little gold coin is used, and the West Indies have a gold standard without using gold coins; but these instances do not quite meet your question. My reply would be that if it has not been done up to the present, it has been recommended by the highest authorities.

3604. And if it is a good thing, there is no reason why it should not be done?—Quite so.

3605. (*Sir J. Muir.*) You are a Scotsman?—I am a Scotsman.

3606. Do you know that in Scotland now the people prefer the notes of the Scotch banks to being bothered with gold?—Certainly. I approve of the practice entirely.

3607. Could you not manage to get something of the same kind introduced into India?—It would be very desirable, but India at present is not at the paper money stage. I look forward of course, in time, to India using more and more paper, and if so my scheme would become more and more profitable. Under present circumstances, fresh additions to the currency would only yield Government a profit of something like 45 per cent., or a little over. When paper is used, the profit will be about 99 per cent.

3608. We all deplore the unfortunate habit that the people in India have of hoarding; where do they put the rupees when they hoard?—The poor people conceal them about the house. I believe when the police make visits to search the houses, they come upon rupees hidden away in all sorts of corners. But of course the great hoards are held by the native princes and the large zemindars. They are hidden away too. It is a most difficult thing to find them out. When any prince dies it is the duty of the nearest Government official, as a rule, to take possession, and when it is suspected that anyone who has died has been hoarding coins to any large extent, a search is made.

3609. I suppose, as a matter of fact, in the case of hoards of any great magnitude, when a man who has hidden rupees in the ground under the soil dies, he does not reveal what he has done with them?—Possibly.

3610. And some money may be lost in that way?—Yes, and some will be stolen.

3611. Have any serious efforts been made to get the people to deposit their money with the banks, with the Presidency banks, for instance?—I think that the postal savings bank system in India is an excellent system, and it is no doubt attracting the savings of the people steadily.

3612. What interest is allowed for these savings bank deposits?

(*Mr. O'Conor.*) It is $3\frac{3}{4}$ per cent.

3613. (*Sir J. Muir.*) Take the case of the wealthier ryots and zemindars, do they deposit money in banks?—The natives of India do not generally deposit money with banks

3614. (*Chairman.*) Do you have deposit accounts with natives?—Oh! yes, we have deposit accounts with natives, but the natives generally find employment for their capital in money lending. Every native of India who possesses money is a money lender.

3615. (*Sir J. Muir.*) I quite understand that the Bank of Bengal is not disposed to take deposits for a short period, such as a month, but you are willing, from time to time, to do it for six months?—We are willing also, in exceptional cases, to do it for shorter

periods, but, as a rule, our deposits are lodged for 6 or 12 months.

3616. If the people had confidence in the Presidency banks, these large zemindars and the wealthier ryots might be got to deposit their moneys?—Some of them, of course, deposit money, but that is exceptional.

3617. How does the Bank of Bengal deal with its Government balance? Do you allow interest to the Government?—No, we do not pay interest upon it.

3618. (*Chairman.*) Do you have as much as 10 crores and pay nothing for it?—Oh! no, we never have 10 crores. These large Treasury balances are outside the Government balances; it is money locked away by the Government.

3619. You are simply custodians?—Yes, of a small portion of the Government balance. The fault of the system is that during the busy season of the year, when there is particularly great pressure for money, so much money should be locked up in the Government treasuries unutilised.

3620. (*Sir J. Muir.*) Where are these Government treasuries?—The head-quarters of every district has a treasury. In Calcutta there is the Government balance with the bank, and also the Reserve treasury.

3621. And the rupees are locked up and not utilised at all?—Yes, the only way of utilising them at present is by Council bills.

3622. Then it is no wonder that we have a terrific stringency when the mints are closed and we have an increased population and increased trade, and yet all these rupees are locked up and not available for trade?—No doubt there would have been much less pressure had these rupees been at the disposal of the Presidency banks.

3623. What was the highest rate that you touched at the Bank of Bengal this year when things were at their worst?—12 per cent. from the 24th February to the 27th April, that was the rate for demand loans on Government paper.

3624. You charge sometimes more?—We might charge more to discount a bill; not much.

3625. The Presidency banks are pretty near to each other. There is not much difference between them?—There can be no great difference because Government are prepared to transfer funds at a trifling cost from one Presidency town to another.

3626. One of my partners happens to be a director of the Bank of Bombay, and I have a letter from him, from which I should like to read you this passage. He says, "When I left Bombay on the 3rd April, the "bank rate was 13 per cent." (that is the Bank of Bombay rate; your rate was 12 per cent.) "the "same as it had been for some time past. This rate, "however, was nominal to a great extent, for the "Bank of Bombay was obliged to refuse loans at as "high as 18 per cent., even on the security of "Government paper. I understand the position was "equally acute in Calcutta." That is to say, he knew certain of these dealers who went to the manager of the Bank of Bombay, and complained to him, "Here is our Government paper; your bank will "not give us money, even at 18 per cent., what are "we to do?" Have you any similar case to that in Calcutta?—Not that I know of.

3627. It even seems that a number of these Parsees and wealthy Hindoos were going to be compelled to suspend payment, although they had ample resources in paper?—The pressure for money was extreme, especially on the Bombay side, last busy season.

3628. Money goes down, I understand, to Burma very largely for the rice season?—Yes; in January, February, and March.

3629. I understand that a large number of these rupees that go to Burma never find their way back to Bengal, but are kept in Burma and used for various purposes. Can you tell me what, on the average, would be about the amount that are kept in the country?—There are some very interesting statements published in the annual report of the Paper Currency Department, which throws a great deal of light upon the absorption of coin in different parts of India. You will find the statistics published by Mr. Harrison about the state of the coin very useful and interesting, but I think that additional light is thrown on the absorption of the coin by these statements in the annual report of the Paper Currency Department, under the heading, "Distribution and absorption of silver." I can give you, from that report, how the money is absorbed. I will take the year 1894–95. The absorption is given quarterly. From April to June, 1894, Burma gave back 18 lakhs. That, of course, was the slack season. July to September, Burma gave back 1 lakh. That is the slack season. October to December, Burma gave back 23 lakhs; but in the busy season, January to March, 1895, Burma took 1 crore 71 lakhs.

3630. Then last year, when the crop was enormous, what was the amount?—I have not the figures for this last year, because the report is not out yet, but from January to March, 1897, Burma appropriated in this way 2 crores 40 lakhs. These figures show merely operations through the Government Paper Currency Department and the Treasury. The banks sent down funds also, so that the return does not show the whole absorption. But you see large absorption of money in these important districts during the busy seasons, and comparatively small amounts coming back in the slack seasons.

3631. I have been endeavouring to get, and I hope to get in the course of a few days, the facts from some of the leading houses in Burma, but I understand that every year a certain number of rupees go into circulation in Burma, and a considerable number of these rupees never find their way back to the banks?—That is true. I think that nowadays the proportion coming back is greater. I think the import trade is more general.

3632. Then the same thing prevails, I understand, with regard to the jute districts during the season?—Yes, it is just in cases like that, where you have a good active export trade demand, that there is a large absorption of coin. The same process goes on, I have no doubt, in the case of cotton on the Bombay side, and during a good export year for wheat and seeds the same thing will be found in the wheat and seed districts. Of course, in late years, up to the present, the wheat trade and the seed trade have been very slack, but I have no doubt you will find much more absorption this year.

3633. In Calcutta you are brought daily into contact with the leading merchants there, and you hear from time to time no doubt their views with regard to the Government proposals. I suppose you have heard statements from them that they consider that their business is being interfered with by the policy of the Government in closing the mints, and that there is not, as the Government say, a redundancy of rupees, but a paucity of rupees for carrying on general business?—There has been a great complaint these last two years of the stringency of the money market, which is generally regarded as caused by want of confidence in exchange. Once restore confidence in exchange by convertibility, and all that stringency will end.

3634. You mentioned that a large quantity of gold, I think you said gold to the value of Rx. 5,000,000, was exported from India in 1894–95?—Yes.

3635. Where did that gold come from?—Part of that gold was no doubt the gold from the Indian gold mines. Something over one crore would come from the Indian gold mines, but the greater portion had been previously imported at cheaper prices. That was in 1894-95, when exchange was very low, and naturally the native thought the price was exceptionally high, and he sold gold to the exchange banks.

3636. I can understand that the money made from the mines was a natural export, but the gold that had been imported, where would that be resting in the meantime?—There is a large trade in bullion in India. I have no doubt that the bullion dealers all over India said to themselves, "the price of gold now

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" is exceptionally high; we will sell out and buy back " when the price falls to a more natural level."

3637. In reply to Sir David Barbour, you said that the closing of the mints would not affect the amount of the capital in the bazaars. That was, it would not affect it immediately, but would it not be bound ultimately to affect the number of rupees which the bazaar would have available?—The closing of the mints, without taking the further step of providing convertibility, would of course tend to keep rupees out of the bazaars, because it would tend to keep capital out of the country and drive capital from the country, but there was want of confidence in exchange before the mints were closed.

3638. (*Mr. Hambro.*) I notice that you said in the busy season of one year, the balances in the three Presidency banks were about one crore?—Apart from the Government money.

3639. But the Government balances they could not use?—The position is this. The Government only deposit part of their balance with the Presidency banks.

3640. Can you use the part of the balance that is deposited?—Yes, the banks use it just as they do any other deposit.

3641. Then in March of this year the Government deposits were 16 crores, and the bank balances were nil, I think you said?—In the first week of April the Government deposit with the two Presidency banks—Bengal and Bombay—was 2 crores 97 lakhs; the Government balances in general were nearly 16 crores.

3642. Their deposits with the bank were 2½ crores?—Nearly 3 crores—2 crores 97 lakhs.

3643. The banks without the Government money had nothing?—Had almost nothing. That was at the extreme height of the pressure. The Government deposits were 2 crores 97 lakhs, and the cash balances of the banks were only 2 crores 97 lakhs.

3644. Taking this year when you had 2½ crores in the Presidency banks from the Government which it could use, and no other balances, what proportion was that to their deposits; had they large deposits at that time?—At that time—that is the first week in April, the percentage of cash to liabilities at the Bank of Bengal was 27 per cent.—exceptionally low, of course.

3645. What were the total deposits at that time?—I will give you the figures. The Government deposits were 2 crores 97 lakhs, and the other deposits were 6 crores 91 lakhs. That was at the time of the extreme depression and the banks were making every effort to meet the demand.

3646. Do you think that any of the banks have had too much of their money locked up at all?—The fact is, it was the time of extreme commercial pressure, and the banks were doing all in their power to meet legitimate demands.

3647. You mean the banks must have invested in permanent securities all their own capital, and most of their private customers'?—Oh, no! The Bank of Bengal's investments in Government and other such securities are exceptionally small this year.

3648. But at that moment?—At that moment the two banks combined had 2 crores 51 lakhs invested in these investments.

3649. But their balance was rather less than the Government balance?—Their own cash balance was less than the Government balance.

3650. Now, to go back to the question of Scotland, I think you said the transaction there was done by the banks, and not by the Government?—It was bank currency. The Government had conferred on the banks the privilege of issuing paper money.

3651. It was not a Government operation?—It was not a Government operation.

3652. Supposing it had been a Government operation, do you think it would have been as successfully carried out as it was carried out by banks thoroughly acquainted with the trade?—I think even better. Of course, the great thing is the question of confidence, and if you have a guarantee from Government you can have nothing better.

3653. Do you think it would have been carried out by Government as well as it was carried out by banks?—I think so. Ricardo expressed that opinion.

3654. Do you think that if they prohibited the importation or the use of the sovereign in Scotland at that time, confidence would have been so quickly restored?—I think if the Government of Scotland had given a guarantee that Government notes or bank notes, as the case might be, should be convertible into sterling drafts in London at a fixed rate, that would have given perfect confidence.

3655. You think it would have given a Scotsman as much confidence as seeing the gold itself?—I think so. I should point to the present system in Scotland, where even simply with a bank guarantee there is perfect confidence in the note, and there is hardly ever a sovereign used.

3656. They will give you a sovereign for a pound note?—They will give you a sovereign, but it is very rarely asked for; so that I think with a Government guarantee there would have been even greater confidence than in the case of the present Scotch practice.

3657. You say that if a Scotsman thought he could not get a sovereign for his note he would take it just the same?—I think the Scotsman wisely thought that paper money convertible into a draft on London was more convenient, that is all.

3658. The question I wanted to get at was this: Suppose this scheme of yours, or something on the same basis, instead of being carried out by the Government was carried out by banks; suppose, for example, the Presidency banks were to amalgamated somehow into, we might call it, a Bank of India, and the capital were increased by, say, 10 millions sterling, with a right of fiduciary issue against gold, and the capital being partly subscribed, we will suppose, in London and partly in India, and having the right also of issuing notes against money deposited in England. Do you think that such a bank with so large a capital would be able to carry out the transaction, such as you imagine, or something of a similar character, more easily than the Government?—I have not the least doubt that if the Government of India will make over the management of the currency, and the profits derivable from its currency, to any large banking institution, that banking institution will be only too glad to undertake the responsibility which I propose the Government of India should undertake. I have no doubt that many large financial operators would be very glad to sell to the public an article of universal consumption at a profit of 45 per cent. or more, because that is what it really comes to.

3659. I said with power to issue based on gold; I do not see where 45 per cent. profit comes in then?—Based on gold coins, you mean.

3660. On gold?—Of course the banks would be glad to resume the note circulation in India, and no doubt that is the great complaint of the Presidency banks that the note circulation was taken out of their hands too soon.

3661. Do you not suppose that if the Presidency banks were combined together, and their capital largely increased, the convertibility of their notes into gold would be gradually acknowledged and confidence restored?—Of course the difficulty with regard to notes is that the native of India dislikes the use of notes very much.

3662. He uses now how many notes?—What we may call the note circulation is now about 24 crores, but it must be remembered that a very large proportion of that is paper money locked up in the Government treasuries. Including the notes in the Treasury balances, which are no doubt a large amount, the circulation now is about 24 crores.

3663. I only wanted to get at whether you thought the Government was the best custodian of a currency on a gold basis, or, as in France, Russia, Germany, and England, a bank?—Certainly, from the point of view of the Presidency banks, they would very greatly prefer to issue the paper currency. Then, in

addition to that, I think that with the aid of their branches, and with the power that bankers have of putting paper money into circulation and insisting on their customers using a certain form of money, if the Presidency banks were entrusted with the issue of paper money, they would increase the circulation considerably, but whether the community in general would benefit is, of course, another question.

3664. Supposing you could get enough circulating medium in India based on gold, you would surely prevent so violent fluctuations in exchange, and induce people to send out their capital?—With a paper circulation in the hands of the Presidency banks, with power to increase it during the busy season, there would be a great commercial advantage, I admit.

3665. I mean you would prevent expansion and contraction?—But I do not see how it would encourage people to send out their capital unless the currency was convertible into gold.

3666. Not with 10,000,000*l.*?—10,000,000*l.* would not be anything like sufficient to make the rupee currency and note issue convertible into gold coins.

3667. But if one knew that one could bring gold and deposit it with a certainty of being able to get it back again, would not capital flow in?—To start with, it would require a very much larger sum than 10,000,000*l.* to place the currency on a gold coin convertible footing. For instance, if a London bank sends out so much gold and deposited it with the Presidency banks and got their guarantee to return the gold on demand, that might do, but I do not see why the Presidency banks should do that.

3668. You do not see why the Presidency banks should do it, but if they could, a man would be inclined to send out his capital?—The great thing certainly is re-convertibility. Capital will go out at once if capitalists know that they can get it back on exactly the same terms.

3669. Then you never can get real convertibility, unless the currency is based on the gold basis?—Under this system you have got complete convertibility.

3670. Which would break down under extraordinary circumstances?—I see much less chance of this system breaking down under extraordinary circumstances than with a gold currency system. Under a gold currency system there will always be a drain for internal circulation and hoarding, as well as an occasional demand for export, and the moment the gold reserve decreased to apprehension point, there would be difficulty. Under this scheme the gold is concentrated and held for a special purpose, viz., to meet the foreign drain.

3671. But to get that gold, they would have to collect the notes, to buy the notes to get the gold away from the bank again. You do not get five pounds in gold from the Bank of England unless you bring a 5*l.* note for it?—No; but there is now a circulation of 24 crores of notes.

3672. How much do you think of that would be really in the country locked away; inaccessible?—There are 120 crores of rupees in circulation, of which half might be exchanged into notes, gradually, for the purpose of obtaining gold coins with the notes. I should say even 40,000,000*l.* would be insufficient.

3673. You do not think that enough notes would come into the country really to get the rupees from the people who have them?—Would rupees be convertible into notes?

3674. Not into gold notes?—Then there would be two systems of currency, one on the gold basis and the other on the silver basis, and they would conflict.

3675. One would be at a premium as against the other?—No doubt.

3676. You were talking of the amount of money that there was lent. Is it not the fact that when a currency is a fixed quantity, as at present, the total that the banks have to lend is the sum of the currency which is neither hoarded nor in the pockets of the people?—The money employed for other purposes than loanable capital.

3677. It reduces the total, and it is only the balance that you have to lend?—It is the money in the money market that can be lent.

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(Adjourned.)

EIGHTH DAY.

Tuesday, June 21st, 1898.

PRESENT:

THE LORD BALFOUR OF BURLEIGH, in the Chair.

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.
MR. ROBERT CHALMERS, *Secretary.*

MR. ALEXANDER MARTIN LINDSAY recalled and further examined.

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3678. (*Mr. Hambro.*) Do you think that your scheme would have a greater chance of success by being carried out by a Governmental Department, or by being carried out by banks, or a bank, instituted and composed of the Presidency banks and others? I just want to put that general question to you?—Do I understand that you mean the scheme as it is, with the notes and rupee currency of India not to be made convertible into gold coins in India?

3679. I mean your scheme?—In reply to that I should think equally well by either party, for this reason: there is no banking difficulty at all in the scheme, it is entirely automatic. As far as the working of it goes it is purely mechanical; there is no discretion whatever to be exercised, and a small Government Office could carry it out quite as easily in my opinion as a bank.

3680. (*Mr. Holland.*) Am I right in saying that when the Parliamentary Committee reported many years ago on Ricardo's proposal they reported on it merely as a temporary measure?—They reported on it merely as a temporary measure, but I think if the

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report is referred to, you will find that Mr. Baring and others expressed the opinion that the system of currency proposed would be satisfactory for all purposes.

3681. Your scheme is put before us, not as a temporary expedient, but as a permanent working scheme?—I put it forward as a permanent working scheme, but I am prepared to say that if Government determined to establish a gold currency I think this scheme would be the best means of leading up to a gold currency; but at the same time I agree with Ricardo that a currency system of this kind is the best system possible.

3682. You admit that if this is to be a permanent arrangement it must be inherently strong enough to withstand all weathers, that is, to exist in stormy times as well as in quiet times?—Certainly.

3683. Do I understand correctly the *modus operandi* of your scheme to be this; that, when the gold reserves in London are exhausted, rupees are to be melted down and sold?—When the gold reserve in London approaches what may be called "apprehension point," then I should recommend that before fresh borrowings are adopted the Government should melt down rupees simply for the purpose of replenishing the gold fund.

3684. That would be an expensive operation, would it not?—I think not, because any loss that might be incurred would be recouped afterwards when fresh additions to the currency were required.

3685. The operation would have a double effect, would it not—an effect in India in producing stringency, because it would increase the scarcity of currency there, on the one hand, and an effect in London in constituting a drain on the reserves of gold here on the other hand?—You mean the operation of melting down rupees?

3686. Yes?—It would create no stringency in India, because those rupees that were melted down would already have been withdrawn from circulation, and locked up in the gold reserves.

3687. Stopping there for a moment, of course they had previously been withdrawn from circulation, but the act of withdrawal would to some extent produce stringency, would it not?—I think not, because they would only be withdrawn when exchange was at its very lowest, showing that there was a redundancy of currency at the time.

3688. Still rupees would obviously be scarcer than they would have been if that number had not been withdrawn?—These rupees would only be withdrawn at such times as, were India under a gold currency system, the gold coin would be exported, and you would not say that the export of gold coins under such circumstances created a scarcity of currency. It would rather bring currency to its proper level; it would not create a scarcity of currency.

3689. I am speaking now of silver currency. There is no gold currency in your scheme, I suppose?—But, under my scheme, I maintain that rupees would operate precisely as if they were bits of gold, and they would only be withdrawn from circulation when exchange was at its very lowest.

3690. You gave us to understand, as is obviously the case, that there is a great difference between the supply of money in the busy season and in the slack season. In the slack season, money is usually very plentiful. Take the last slack season; was it as plentiful as it had been in the previous slack season?—During the last slack season it was not so plentiful.

3691. You gave evidence yesterday, that during the last busy season there was more stringency than there had been before?—Much more stringency.

3692. You admit that a full supply of currency is indispensable to the carrying on of trade?—Most desirable.

3693. More indispensable even in India than it would be here in England, or in any country where more economical methods of dealing with currency were adopted?—I think in a country like India it is desirable to have a free flow of currency, and that I hold can best be maintained by linking the Indian currency to that of the great financial and commercial nations.

3694. You admit that the requirements of trade ought to be the first consideration in regulating the supply of currency, and not the last?—The requirements of trade and of finance, both combined.

3695. The requirements of trade ought to have precedence over any considerations of exchange?—Well, I think they are linked together, but I think it is most important to any country to have an ample supply of currency.

3696. You are well aware, of course, that the contention of the Government is that the volume of the currency must be made consistent, not with the requirements of trade, but with a 1*s.* 4*d.* rupee. Exchange considerations would thus take precedence of trade considerations?—It appears to be the opinion of all the great financial authorities of India that the Government could not be properly carried on if exchange was allowed to fall to 11*d.*, and that, of course, should precede any other considerations, I think.

3697. If the requirements of trade had the first place in the consideration, then I think you would admit that the supply of currency in the large Presidency towns would be increased, and not contracted, because it is admitted by previous witnesses in their evidence that the high rates of discount in the Presidency towns prove that there was less currency there than was required by trade?—Certainly, and I think that immediate steps should be taken to meet that defect in the present system.

3698. But apart altogether from conversion, there is a scarcity of currency in the Presidency towns, is there not?—Yes, but in my opinion the only proper way to supply that deficiency is by the medium of conversion.

3699. Still, even if conversion were not resorted to, would it not be better to increase the currency there under the existing circumstances than to diminish it still further, when the obvious need of trade in these towns is more currency?—I think the very best possible means of supplying currency is by completing the present system with convertibility.

3700. You admit that the balance of trade must ultimately be relied upon as the chief supporter of exchange?—Yes.

3701. And you admit also, I think, that the present high rates of interest are having the effect of strangling trade?—Certainly.

3702. If trade is being strangled, will not that affect unfavourably the balance of trade?—In the long run. Of course, at the present moment there is an exceptional position, owing to the great demand for, and the large crop of, wheat.

3703. And if it will affect unfavourably the balance of trade, India would find it difficult to maintain exchange at 1*s.* 4*d.*?—Certainly.

3704. Would it not follow, therefore, that any policy which would have the effect of leading to high rates of interest is one to be discarded by advocates of the 1*s.* 4*d.* exchange?—Certainly, in the interest of the balance of trade, and all other commercial interests, it is very desirable to have an ample supply of currency.

3705. You said yesterday that the closing of the mints, in your opinion, had had no effect on the rates of interest and discount?—The mere closing of the mints, if the closing of the mints had been accompanied by convertibility, would have had a beneficial effect; but the closing of the mints without the provision of convertibility has certainly had a most serious effect on the supply of money in the last few years.

3706. I understood your answer yesterday to be that it had no effect?—I rather think I qualified that by saying the "mere" closing of the mints.

3707. Then probably you do not disagree with the Bombay Chamber of Commerce, who say that the present tightness of money is mainly attributable to the contraction of the currency consequent on the

closing of the mints. Do you agree with that?—Yes, because the closing of the mints is not accompanied by convertibility. That is an all-important qualification.

3708. Do you think in consequence of the withdrawal of capital by the exchange banks the Presidency banks have less competition now in conducting their business than they had before?—During these times of pressure it has not been a question of competition. All the Presidency banks would be only too glad to have seen larger supplies of capital.

3709. They desire to have competition, do they?—Under these circumstances, of course.

3710. That is not the usual experience of traders, that they should wish for more competition?—But the position of late has been so serious.

3711. But if there had been more competition, would they have been able to demand such high rates of interest as they have been demanding?—I do not myself consider that these high rates of interest are advantageous to banking interests, or to any bank.

3712. You think they would be lower if there were more competition?—With a larger supply of loanable capital.

3713. I should like to ascertain your opinion as to what the effect of a lower exchange would be on the flow of capital from this country to India. We have been told that capital has been sent home to England?—The prospect of a drop in exchange, for example, a drop of exchange to the silver point—to 11*d.* or less—would simply drive capital out of India. There is no question about it.

3714. And the rise in exchange has also driven capital out of India?—The prospect of a rise in exchange would naturally attract capital to India.

3715. But the actual fact has been that a rise in exchange has driven capital out of India, because I understand that capital has taken advantage of the improved exchange and been brought home to England?—That is owing to the defect in the present currency system—the want of convertibility.

3716. So that we are landed in this dilemma, that a fall and a rise seem both to have affected the money-market unfavourably, the latter by driving capital from India, and the former by keeping it out?—That was simply owing to want of confidence. Under a convertible system that would not have happened.

3717. Whatever the motive was, the effect seems to have been the same?—The prospect of a drop in exchange, whether there has been a rise or fall previously, very naturally prevents capital from going to India.

3718. I understood you to say that your chief object in desiring a fixed exchange was to secure stability rather than to contend for a 1*s.* 4*d.* rate of exchange?—Certainly, in the interests of capital, stability is the important desideratum.

3719. You admit, do you not, that the higher the rate, the harder the task which the Government has before it in the maintenance of that rate?—Certainly.

3720. And if the rate to be fixed were lower, everyone would agree that the Government would have a very much better chance of being strong enough to maintain that rate?—In my own mind there is not the least doubt as to maintaining the exchange at 1*s.* 4*d.* without any difficulty whatever with convertibility.

3721. But you are aware that some people have a doubt about the Government being able to maintain exchange at 1*s.* 4*d.*?—Yes.

3722. But even those people would have less doubt, and much more confidence, if the rate were fixed lower than 1*s.* 4*d.*?—Certainly.

3723. Confidence would be forthcoming from those who at present express want of confidence?—Yes, but there would be no want of confidence if Government gave a guarantee. I cannot see how there can be any want of confidence in that case.

3724. You admit that confidence would be likely to be increased if a lower rate were fixed upon. That would be an important addition, because you admit that confidence is the great desideratum in these matters?—The confidence in that case would only be confidence in the Government, and if once the Government gave the guarantee it would not matter whether the rate was 1*s.* 2*d.*, 1*s.* 3*d.*, or 1*s.* 4*d.* Capitalists would have perfect confidence in the guarantee of the Government of India.

3725. You admit that the question of ratio is, in the opinion of some, the crux of the position—that is, the rate to be fixed?—I, myself, have always said that the rate should not be raised in any way that would disturb trade. I do not say it is the most important desideratum, but I think it is a very important consideration.

3726. So far as I have been able to judge from the witnesses who have come before us, a high rate seems to have very few defenders. They most of them seem to say that it is of less importance to have the exchange fixed at 1*s.* 4*d.* than to have stability. That you confirm?—Yes.

3727. The Government is a gainer by a high rate, of course?—Yes. The Government gains by a high rate.

3728. On the contrary, if the rate were rather lower, do you not think the effect would be to stimulate exports, and to induce greater prosperity to the agriculturists of India?—Temporarily only; and at the same time any such benefit would be gained a the expense of their neighbours. Money is merely a medium. It is just the same with measures, such as weights and scales; if you alter weights and scales, one party will gain, but what he gains the other party will lose.

3729. You admit it would be a very serious matter to announce the convertibility of the rupee, and to fail to give effect later on to that convertibility. That would be a huge disaster, would it not?—A huge disaster.

3730. Therefore, you agree that no plan should be adopted unless with the practical certainty of success?—It need not be a huge disaster if the failure is only temporary. For instance, during the Franco-Prussian war there was a period of one or two years when convertibility practically ceased, but all people felt confident that eventually the Government after the trouble was over would re-establish convertibility. In a case like that, I do not think there would be any serious disaster.

3731. In reference to your gold reserve, would there be any bar to the native money-changer getting an order on London for 100,000 rupees worth of gold and importing that gold into India, and retailing it in small quantities? You say that it would not pay him to do it?—It would not pay him to do it, because he would be buying the gold at its highest price.

3732. But if he chose to do it there is no bar to his doing it?—That is so. All remitters of large sums would be allowed to avail themselves of the Government offer.

3733. You admit that convertibility is less perfect if it can be carried out only at a great distance, and for large amounts. You do not want to make it too easy, I suppose, to get gold?—But I think, as far as the effect on currency is concerned, it is all that is required. In the opinion of great authorities it is the most perfect system possible.

3734. Hitherto we have been often given to understand that there are only two alternatives in dealing with the currency question; one to have a gold standard, with an ample backing of gold, and another to have a silver standard with open mints; but your system seems to be a sort of half-way house?—Yes, the backing of gold is ample, but it is small, because its use is confined to convertibility for foreign payments.

3735. You wish to have a gold standard, with the most economical use of gold and the largest possible use of silver?—Yes.

3736. (*Mr. Campbell.*) You bring forward some examples in support of your scheme. You allude to Ricardo's recommendation for economical and secure

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currency, and to the action of the Scotch banks about 1763?—I do.

3737. Do you think the conditions in these two cases were analogous to those which we are now considering?—Of course this is a much bigger affair, but it is a question of proportion; the resources are larger. It is only a question of thinking in lakhs instead of thinking in thousands.

3738. But was not Ricardo considering how to facilitate the convertibility of gold notes, the least onerous way of enabling the Bank of England to fulfil its obligations to repay in gold the notes it had issued?—I think Ricardo's scheme was a general one, not only applicable to the Bank of England, but generally applicable, because he specially lays that down. He says a currency of this description might be equally well issued by a Government as by a bank. You will remember that I read that passage yesterday.

3739. The point I want to put to you is whether this was not merely a question of enabling gold notes to be cashed in gold?—It was a question of establishing a currency on a safe and economical footing, an economical footing especially. I do not think it was intended as applicable merely to the Bank of England. I imagine that Ricardo framed his ideas from the Scotch system and from the report of 1804.

3740. But was it not the question of repaying notes in gold bullion instead of gold coin?—That was the method.

3741. It was paying a gold note in gold. Now, would you consider that the same thing as for a Government to undertake the convertibility of an unlimited amount of rupees into sterling, and of sterling into rupees?—Precisely. Ricardo proposed that gold bullion should be converted into notes at certain rates, and that those notes should be converted into gold at another rate, and that is precisely what I propose that the Indian Government should do.

3742. But in their case it is not a case of paying gold notes in gold, but of converting silver currency into gold currency?—I look upon rupees under the present system as simply inconvertible metallic notes, and they operate entirely according to the laws that govern an inconvertible paper currency. I think the laws that govern an inconvertible paper currency and the laws that govern an inconvertible coin currency are precisely the same.

3743. When a bank or a Government issues a note in exchange for gold, and undertakes to repay gold on presentation against that note, there is an obligation which it must fulfil. The undertaking to exchange rupee currency into gold currency, or exchange gold currency into rupee currency, is a much larger responsibility, is it not?—It is, simply because possibly the number of the metallic notes is greater than the number of the paper notes. Apart from that it is a mere question of resources. If the resources are large enough I see no difference.

3744. It is the difference between the undertaking to pay a gold note in gold and an undertaking to pay a gold note in silver?—That, of course, is simple enough. That part of the scheme making the sterling currency convertible into rupee currency is simple and profitable. And the reverse operation is precisely the same, to my mind, as that of converting the paper notes into gold under the legislation of 1819. I see no difference whatever.

3745. As regards the case of the Scotch banks, I think you said, in reply to the Chairman, that you have no information of the extent of the fund provided, to what extent it was used, or the cost, if any, which it entailed on the banks?—No, I have not gone into that, but for my part I do not see how that affects the question. I admit at once that the currency of Scotland was much smaller than the currency of India, and that the currency of India will require a larger conversion fund, but I maintain that the advantage to Government, the economy, and the profit to the Government, will be immensely greater than was the profit to Scotland, simply because the currency of India is larger. The larger the currency the larger the profit.

3746. Would the cost of providing that gold fund in London by the Scotch banks be greater than the cost of carrying gold from Scotland to London?—There is no doubt it was a measure of great economy, or the Scotch banks would not have entertained it.

3747. The cost of providing the fund would only mean the cost of transferring gold from Scotland to London?—Providing gold coins in Scotland? Oh, very much more than that, because if the Scotch banks had made their notes convertible into gold coins in Scotland, those gold coins would have taken the place of the notes, and many more gold coins would have been required than were necessary; but by making the notes convertible only into drafts on London, the full amount of the currency required was retained in the form of paper, and the gold that would have otherwise been required was saved to the country.

3748. The object of your scheme is to confine the exchange value of the rupee within limits of 1*s.* $3\frac{3}{4}$*d.* and 1*s.* $4\frac{1}{16}$*d.* sterling?—Yes.

3749. And that you say has the effect of putting India on to a gold standard?—Yes, her prices, her contracts, her currency, would be measured in gold.

3750. It would ensure convertibility of the rupee into gold at 1*s.* $3\frac{3}{4}$*d.*, and the convertibility of the sovereign into rupees at 1*s.* $4\frac{1}{16}$*d.*?—Yes.

3751. Take it the other way round. If it gives India a gold standard, may it not be said in the same way that it gives England a rupee standard?—No, because in the case of Scotland, English prices, English contracts, English currency, were measured in gold, not in paper. In the case of India, India's prices, India's contracts, India's currency, would no longer be measured in silver, but would be measured by the definite international measure, gold.

3752. But beyond a comparative few in either country who have dealings with the other country, would the phrases "gold standard" and "rupee standard" have any meaning whatever?—Certainly.

3753. Do you think that the average native of India would understand that his rupee could be converted into 1*s.* $3\frac{3}{4}$*d.* sterling; would it be a matter of any consequence or importance to him?—Judging by the past five years it would be of no importance whatever, because he is perfectly content with his present token-rupee, and it would make no change to him; so far as internal transactions are concerned there would be practically no change, except that prices would be measured by gold.

3754. And would be affected accordingly?—And would be affected accordingly; they would be put on the level of prices and contracts in all the great commercial countries.

3755. (*Sir F. Mowatt.*) You say the native would not know that it would affect him, but you do not go so far as to say it would not affect him?—He would not know it, just as at present he does not realise the change caused by the closing of the mints.

3756. (*Mr. Campbell.*) Then, regarding the five millions or 10 millions to be borrowed in London and deposited at the India Office or the Bank of England, would the deposit be made in actual coin?—That is a detail. My proposal is that Government should raise a loan of 10 millions, and deposit that as a sort of current account in the Bank of England.

3757. Of course that would have the advantage of not withdrawing that 10 millions from circulation?—Certainly. I am very desirous of meeting the wishes of the London bankers in that respect.

3758. I presume statements would be published from time to time, showing the position of the account?—Certainly; full publicity is desirable in all these matters.

3759. (*Mr. Hambro.*) You say it would not be withdrawn from circulation, but if gold was deposited with the Indian Government, it would go out of circulation?—No, it would be in the form of a current account with the Bank of England.

3760. (*Mr. Campbell.*) You are aware that the Indian Council has about 17½ millions to draw in India annually to meet the home charges?—Yes.

3761. You propose that these sales should go on as now?—Yes. May I read a remark upon that point upon page 99 of my pamphlet:—"Mr. Abercrombie, "in a speech in the Bombay Chamber of Commerce, "remarked that 'If Council bills are sold at less than "'1*s.* 3¾*d.* the proceeds may have to be taken over "'by Government next day at 1*s.* 3¾*d.* by conversion "'of the rupees.' I say with regard to that, 'Any "'small loss of this kind might be avoided if, as "'suggested by the Madras Chamber of Commerce, "'the Secretary of State refused to sell below that "'rate, and took sterling instead from the gold "'standard reserve, paying the equivalent in rupees "'to the Gold Standard Office in India; and it will be "'for Government to consider whether it is better to "'escape the small loss, or to face it for the sake of "'leaving exchange operations entirely in the hands "'of the market.'" I had, to some extent, the interests of the exchange banks in my mind when I thought of that. No doubt the margin of fluctuation will be limited under this scheme, and they will lose in this respect, although they will gain in others; and as the profit, if it ever can be gained out of Government, would be a very small one, I see no objection to giving it them.

3762. There would be no objection, in your opinion, to the Indian Council taking remittances from the Gold Standard Office?—No, but I think it is desirable, as far as possible, for Government to keep themselves entirely outside exchange operations — to leave exchange operations entirely to the working of the market.

3763. If trade influences favoured a rise in exchange, the rise would be checked at 1*s.* 4$\frac{1}{16}$*d.*?—Yes.

3764. And if they favoured a fall, the fall would be arrested at 1*s.* 3¾*d.*?—Yes.

3765. So long as silver could be bought and shipped, would there be any difficulty in preventing exchange from advancing beyond 1*s.* 4$\frac{1}{16}$*d.*?—Exchange could not advance beyond 1*s.* 4$\frac{1}{16}$*d.* as long as you have convertibility at that rate.

3766. But the Government would have to ensure convertibility by buying and coining silver?—Certainly. Suppose the rupees in the Indian Gold Standard Office became exhausted, then, of course, fresh silver would be coined. That, I think, is one of the special advantages of the scheme—that it affects the silver market very little.

3767. However great the demand for remittances to India at 1*s.* 4$\frac{1}{16}$*d.*, it would only be a question of shipping and coining so much more silver to meet the London office drafts?—That is all.

3768. Now, as regards the other question, the preventing of exchange from falling below 1*s.* 3¾*d.*, would you limit the Government's power in the first instance to the 5 or 10 millions borrowed?—There is no limitation, that is the permanent provision.

3769. In the event of this fund becoming exhausted, you propose that the Indian Gold Standard Office should melt down and send to England for sale the rupees held by it?—In part. I do not think I described the operation. It is described at pages 58 and 59 of my pamphlet. I say, there: "To make "mattters clear, let us imagine that rupees were bits "of gold weighing each 7·53344 grains troy of fine "gold. If the currency became redundant these "gold rupees would accumulate in the banks, and "the banks, having more cash than they could "employ, would be eager buyers of sterling bills; "sterling exchange would drop gradually to specie "export point, say, 1*s.* 3¾*d.* Lower than this it "would not go, because it would be more profitable "for the banks to ship their gold rupees to London "for coinage into sovereigns, than to buy bills below "1*s.* 3¾*d.* This export of currency would relieve "the redundancy, and in the natural course of events "before two or three crores of gold rupees had been "shipped, a rising exchange would show that the "redundancy had ended, and before long a demand "for fresh currency would arise, and the gold would "come back. Under the 'Lindsay Scheme' the "redundancy would manifest itself in the same way "and the remedy would be the same, the only "difference being that the silver rupees would be "locked away in the Indian Gold Standard Offices "instead of being exported. If, however, a lock up "of two or three crores was insufficient to cure the "redundancy, and the locking up went on until nine "crores were withdrawn from circulation, the position "would be as follows:—With a 10,000,000*l.* reserve "fund there would be nine crores of rupees in the "Indian Gold Standard offices, and only 4,000,000*l.* "sterling in the London Gold Standard Offices. This "might be taken as apprehension point, so half of the "nine crores of rupees would be melted, and the "bullion sold in London for sterling money, which "would be deposited in the London Gold Standard "Office. If sold at 26*d.* per ounce, the bullion would "fetch about 1,500,000*l.*, and the London reserve "would become 5,500,000*l.* By repeating this "melting operation, the rupee currency might be "contracted to the extent of about 20 crores with a "10,000,000*l.* reserve fund, but there can be no "contraction until exchange drops to 1*s.* 3¾*d.*, and "the gold standard reserve will not drop to appre-"hension point, unless there is a large and prolonged "demand for conversion at that rate. The sign of "redundancy with gold rupees or with silver rupees "under the 'Lindsay scheme,' will be the drop in "exchange to 1*s.* 3¾*d.*"

3770. Then you say that if that did not suffice to keep up exchange to 1*s.* 3¾*d.* you would resort to further borrowing in London, which you say should be on a temporary footing?—Yes I may mention that in my own mind such necessity will never arise, because with the sterling fund of 10 millions you can contract the rupee currency to the extent of 20 crores, and I think that is more than ample. Looking to the reserves of the Presidency banks it is more than double as much as ever will be required.

3771. Sir David Barbour put some questions to you as to the possibilities which might lead to such a demand for conversion of rupees into sterling as might involve the failure of the scheme. I will not therefore allude to this further, except to ask you whether, apart from the possibilities spoken of by Sir David Barbour, a still greater danger would not be a gradual sapping away of the fund which in the course of time might lead to the same result?—I cannot see any possibility of that, seeing that India is an undeveloped country, and that the more she is developed the more currency she requires; and the more currency she requires the more profit she will make and the more gold will be deposited in the London Gold Standard Office. That is a possibility that I do not think we need take into consideration.

3772. Now with your scheme in operation, would it be correct to say that while the Government of India budgeted for 17½ millions of Council bills, or, in other words, announces its desire to sell during the year about 26 crores of rupees at the best rate obtainable, it would be announcing through another department that it is prepared to buy rupees to an unlimited extent at 15¾*d.* per rupee?—I will deal with that question. I maintain that this system, which confines the use of gold to foreign payment purposes, is the best possible means of enabling a country to meet its foreign sterling debts. If under any other system gold is required for use in internal circulation or to be put in hoards, and for these purposes gold is drained away, there is a much greater possibility of danger arising, because whenever the gold in circulation gets small there is generally a rush to appropriate it in expectation of a fall in exchange and rise in the price of gold. Take the case of America, whenever the gold coins decrease in amount there is generally a rush for them by all parties to appropriate them and take them out of circulation. But in

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this case the gold is reserved specially for the purpose of meeting foreign payments, and is concentrated in one fund.

3773. Still, would not the position be this: that the Government announces itself as desirous of selling 26 crores of rupees during the year at whatever rate it can get, and on the other hand announces itself as a buyer of any quantity of rupees at 15¾*d.* That is the position the Government would be in?—Yes, but there would be no demand for the sterling drafts at 15¾*d.* unless the balance of indebtedness was unfavourable, and the scheme provides a remedy for that evil, viz., the curtailment of the circulation. When Government buys rupees, those rupees would be locked away, and that is the orthodox cure for an unfavourable balance of trade. Under this system you have the practical expedient that has been tried for ages, and found to answer, that of curtailing the currency when the balance of trade is unfavourable. You simply go on the system that countries have followed for years and years with success. I cannot see any better plan.

3774. You have expressed your views very strongly at page 15 of your preface, on what you call the disastrous policy of borrowing in sterling in order to curtail the sale of Council bills?—Yes.

3775. You refer there more particularly to what you describe as the attempt made to manipulate exchange by stopping Council bills during the second half of 1893?—Yes.

3776. Now, suppose the Council sells its 17½ millions of bills on India in the course of the year, and on the other hand that the Indian Standard Office has drawn on the gold fund to the extent of, say, 3 millions, would the net result of that not be that the Government has drawn 14½ millions out of the 17½ millions required, and that the balance has been provided by sterling borrowed?—Yes.

3777. It would be so?—That would be so.

3778. Then the two cases would have some points of difference between them?—Yes, all important points of difference between them.

3779. Under your scheme the rupees received for the 3 million sterling drafts sold would be withdrawn from the market and locked up in the Indian Standard Office?—That is so.

3780. In 1893 the money was not withdrawn from the market, but accumulated in the Government Treasury?—Yes.

3781. It may be in your recollection that the Treasury balances increased very largely at that time?—Yes.

3782. And, contrary to the usual practice, the Government of India raised no rupee loans during the next two years, but on the contrary paid off some amount of rupee debt?—Yes.

3783. I suppose you connect the fact that the Government were short in their Council drawings in 1893 with the large increase in the Treasury balances?—Yes.

3784. Do you also connect this increase in the Treasury balances with the cessation of rupee borrowing during the next two years?—Yes.

3785. Would that indicate that the money accumulated in India through the stoppage of drawings had been put to some use?—Yes.

3786. Would it mean that there was some curtailment of rupee borrowing as a set-off against the sterling borrowing?—Yes.

3787. While under your scheme the 3 millions would be withdrawn from the market altogether and locked up?—Yes, that is not the only difference, of course. May I refer to page 31 of the pamphlet:—"Arbitrary measures for contracting the currency, "such as the stoppage of Council bill sales in 1893 "and the destruction of rupees contemplated in "paragraph 10 of Sir David Barbour's minute of "21st June 1892, involve less responsibility and "may to some appear easier and cheaper; but they "are the most expensive in the long run, because they "are defective. They withdraw the wrong rupees, or "at all events they do not touch the rupees that are "actually depressing exchange at the time, they "place no fixed limit to a fall in exchange, and therefore beget distrust, which in turn repels and expels "capital from India. Trade is hampered and curtailed "by high interest charges, and at times by an utter "dearth of loanable capital; and exchange and the "balance of indebtedness are adversely affected, because "the production of commodities and the import of "capital are both curtailed. If such measures succeed "in the long run in creating a demand for rupees in "exchange for sterling at 1*s.* 4*d.*, it will be after "serious injury is done to trade, whereas the automatic "machinery now proposed attracts capital to India "by offering it a return passage at a trifling charge, "if wanted, and a reference to the works of Mill, "Goschen, MacLeod, or any economist of note will "show that provision for the conversion of the local "currency into sterling money is the orthodox cure "for an unfavourable balance of trade." That is, in my opinion, the important difference between the two policies.

3788. Then you provide this—I will read your own words—that if the gold standard reserve of 10,000,000*l.* acquired by borrowing "should be decreased at any "time to 'apprehension point,' that is to say, show a "likelihood of becoming exhausted, it would indicate "that the rupee currency was seriously redundant, "or, in other words, that there were too many rupees "in circulation, and it would be the obvious duty of "Government to curtail the currency. They should "take the step contemplated by the Dutch Government in 1884, and melt a portion of the rupees held "in the Indian Gold Standard Offices, despatching "the bullion to London for sale there for sterling "money, which should go to strengthen the London "Gold Standard Reserve." This exhaustion of the London fund of 10 millions, if it took place, would imply, would it not, an accumulation of about 15 crores of rupees withdrawn from circulation, and lying in the London Gold Standard Office?—Certainly.

3789. Notwithstanding this, if exchange still showed a tendency to fall below 15¾*d.*, would you consider it evidence that the currency was still redundant?—Yes.

3790. And would you proceed again to remove the redundancy?—Certainly.

3791. Whatever might be the condition of the money market?—Certainly.

3792. Of course, the melting down and sending to London for sale the rupees held in the Standard Office would not affect the redundancy, because those rupees would already have been withdrawn from circulation?—Yes.

3793. They would provide fresh funds in London against which to draw, so as to enable more of the redundant rupees to be taken off the market?—Certainly.

3794. Taking the selling value of the silver rupee in London as 10*d.*, which is about the present price, would the effect of this be that 15 crores of rupees bought at 15¾*d.* were melted down and sold at 10*d.*, in order to enable fresh buying of rupees to be proceeded with at 15¾*d.*?—Yes.

3795. Then in other words, would it mean that a large portion of the currency had been melted down and sold at 10*d.* per rupee, in order to maintain the exchange value of the rest at 15¾*d.*?—Yes; but may I point out that there would be no loss in the long run?

3796. Why?—Because sooner or later the currency would require to be replaced, and silver would be bought at whatever the exchange might be, certainly not over 11*d.*

3797. That is an assumption?—I can hardly think it is an assumption to say that a country like India will from time to time require fresh additions to her currency.

3798. Besides the loss involved in this, has it occurred to you that the longer you go on melting

rupees in this way, the more you lose your power of affecting the exchange market; that is, you lose your power of withdrawing redundant rupees?—I do not follow that.

3799. I will put it in this way. You would have acquired a fund of about 15 crores in the Indian Standard Office by drawing against the 10 millions sterling?—Yes.

3800. If you melted that 15 crores and sold it in London at the equivalent of 10*d.* you would realise 6,250,000*l.*?—Yes.

3801. Then, drawing against that 6,250,000*l.* at 15¾*d.* would give you about 9 crores and 60 lakhs. That melted and sold would realise 4 millions sterling?—Yes.

3802. So that the second time you turn it over the 10 millions available for the purposes of the scheme would have fallen to 4 millions?—Yes.

3803. At that rate, would it not soon practically be exhausted?—Yes.

3804. And then you would have to borrow more sterling?—Yes; but, of course, the more you reduce the rupee currency the less the necessity for further reduction.

3805. What is your definition of redundant currency?—Under a convertible system it is very clear that the exchange is an accurate indicator of redundancy or the opposite.

3806. Would you consider that high interest rates, and a stringent money market, were no evidence that the currency was the reverse of redundant?—High interest rates, and a stringent money market, as a rule, indicate scarcity of money.

3807. You say the question of redundancy of currency or otherwise is more a question of the exchange value of the rupee?—Under a convertible currency system the rate of exchange is a clear indicator of redundancy of the currency, or the opposite.

3808. In your view then, a currency which would only be sufficient when exchange was 1*s.* 2*d.* would become redundant if exchange went to 1*s.* 4*d.*?—Yes, on both occasions the currency being on a convertible footing.

3809. And if it were desired to maintain exchange at 1*s.* 4*d.* the redundancy would have to be removed?—The redundancy would have to be removed. That is an important qualification that I make when I say on both occasions the currency being on a convertible footing.

3810. I am speaking of your scheme?—More capital will be attracted, and therefore more currency required under a convertible scheme.

3811. Do you believe that by contracting the currency sufficiently, you could establish any rate of exchange you please?—Of course, I should not like to reply to that, because I am utterly adverse to anything that would disturb trade.

3812. You said, in reply to Sir David Barbour, that you would not approve of a ratio being adopted which would injure trade?—Quite so.

3813. How would you find out the ratio to which trade would best adapt itself?—If trade adapts itself fairly well, as it has done during the past few months to the level of 1*s.* 3¾*d.*, then, trade could not possibly be disturbed with fixity at that rate.

3814. Would you think ten months' experience long enough?—The only price you have to consider at all is the price of the articles interchanged between India and gold-using countries. That is the only thing that you need think of. The moment that there is a fluctuation in exchange, that very moment there is a fluctuation of rupee or sterling prices. If you have a level of exchange lasting for ten months, and if you establish the prices for ten months, I do not see how you interfere with trade by fixing that rate permanently.

3815. Have the last ten months been normal as regards trade and otherwise?—You have had a very active export trade of late, which is all you need look to.

3816. But although the exchange last year averaged close on 1*s.* 4*d.*, are you aware that the Council only sold about 9 millions instead of 17½ millions?—On the other hand these Council bills were curtailed chiefly owing to the famine, and that, again, curtailed the exports, and the one thing is a set-off against the other very much.

3817. Do you not think the experience you need should be of longer duration and under more normal conditions than we have had in the last two years?—You must look at the question from two points of view—the Government and the trade point of view. From the Government point of view, it is beyond question, that 1*s.* 4*d.* is the desirable rate to establish.

3818. Then take the trade point of view?—As to that, I say again that the adjustment between the rate of exchange and prices of commodities, interchangeable between the two countries, is immediate, and if you have a level of exchange at 1*s.* 3¾*d.*, lasting for a period of ten months, coupled latterly with a good export trade, you cannot interfere injuriously with trade by making that rate permanent.

3819. If those ten months were a normal period, there would have been something in it, but we have had famine, war, and curtailment of Council bills during that ten months?—As far as I understand, the question is the disturbance of prices. I do not think you will disturb prices by fixing permanently a rate that has lasted for about ten months. That is my opinion. Of course there have been abnormal conditions, no doubt.

3820. Would a high rate of exchange tend to put down prices in India?—Either it would tend to put down rupee prices in India or to raise gold prices.

3821. Assuming that gold prices are unchanged, would it tend to put down rupee prices?—Certainly.

3822. For an export country like India, whose exports largely exceed her imports, would not low prices be a misfortune?—Stability of prices is what is desirable. I do not see how low prices are a misfortune to a country. It is stability in these matters that is desirable.

3823. If a country exports 30 crores of surplus exports, it would be an advantage for that country to get high prices for its products?—I think myself that a fall in the rupee exchange tends to lower the gold price of commodities, and that it is very desirable in the interests of India, with a large foreign debt, which it pays by its products, that the gold price of those products should be maintained. From that point of view, I think a fall in exchange very undesirable.

3824. Have the trade balances, in your opinion, any influence over the rate of exchange?—The balance of indebtedness, of course, has an all-important influence on exchange. The balance of indebtedness rules exchange.

3825. That is, if the balance of trade in India's favour is large it would tend to improve exchange?—Yes.

3826. And if small, it would tend to depress exchange?—Yes, other things being equal.

3827. Might not a falling tendency in exchange be due to a diminished trade balance in India's favour?—Certainly.

3828. And in that case would it be a desirable remedy to keep exchange up, by removing so-called redundant currency?—It is desirable to fix exchange, and if there was a fall in exchange the natural remedy would be, of course, to remove the redundancy of the currency by convertibility.

3829. Would an artificial contraction of the currency tend to promote a more favourable trade balance? Would what you call removing the redundancy of the currency tend to promote a more favourable trade balance?—That is the natural cure for an unfavourable balance of trade—the curtailment of the surplus currency. I can quote authorities for that.

3830. Melting and exporting currency, by adding to the exports, would tend to have that effect?—If an exchange bank did it, it would affect exchange; and

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if Government melted rupees and exported them it would curtail to a certain extent the Government Council bills. Anything of that kind, of course, affects the exchange.

3831. On that point you allude to Mill's theory, that the export of currency from one country to another tends to raise interest in the exporting country and lower it in the importing country, and thus to turn the current back in the other direction?—Yes.

3832. Was not Mill referring to countries with the same standard?—He was, but the argument equally holds good in the case of my scheme with this exception; in the one case the gold coins exported make the payment, in the other case, for the sake of economy and convenience, under Ricardo's system the payment is made from a conversion fund, not with the currency; but the principle is the same, and the effect on the exchange market is the same.

3833. Is the principle the same? If you export silver from India to England and sell it there, will that ease the English market?—I see the point that you make. Let me put it in this way. That defect can be remedied if it is thought to be a defect, by, instead of keeping 10 millions of gold in an account current with the Bank of England, keeping it in the India Office or in a special reserve. That will have under this scheme precisely the effect that it would have under a gold currency—precisely the same effect on the London market, and on the Indian markets; but these remittances would have such a trifling effect on the London market that I think it is desirable to meet the wishes of the London bankers by not withdrawing the gold reserve fund from the London money market. The effect in India of a curtailment of the currency is very important, but the effect on the London money market of a temporary curtailment of the currency of this extent is so trifling that I do not think it would affect prices much.

3834. The shipment of silver to be sold in England would not affect the English market any more than shipments of cotton?—Silver in London would be a mere commodity like cotton, but on the other hand, as I said before, if you desired that the London prices and so on, should be affected by these operations, as they would be affected under a gold coinage system, the remedy is simple. Instead of keeping your 10 millions in a current account, arrange to keep it in the India Office or in a special reserve, and that would have precisely the same effect.

3835. Would it not be rather a wasteful method?—I agree.

3836. You might keep it for years there, and it would not be wanted?—Certainly, I quite agree.

3837. In the case of India, with her large foreign trade, would you consider it preferable that she should pay her foreign obligations by means of produce rather than by exporting currency?—Of course, the curtailment of currency under my scheme is arranged in order to make India pay her debts by produce. It is a cure for an unfavourable balance of indebtedness. The desirable thing for every country is, to pay its obligations in produce.

3838. And for India it would be still more desirable, in view of the fact that her currency can only be sold abroad at a very heavy loss?—Under my scheme, her currency will not be sold abroad at a heavy loss. Some rupees on certain occasions may be melted and sold, but that loss will be recouped whenever India requires additions to her currency.

3839. That is an assumption again?—I think you can hardly call it an assumption, to say that a country like India will from time to time require fresh additions to her currency.

3840. Would withdrawals of currency tend to tighten the money market?—The withdrawal of currency will tighten the money markets, but under a convertible system, where the rupee currency is linked to sterling money, there can be no injurious tightness, because the least tightness in India would lead to a flow of capital from Lombard Street to the Presidency towns. If the London capitalists are assured of getting back their capital without loss, is it not natural to expect that when high rates are offering in Calcutta, they will send their capital there to employ it?

3841. But there is a large margin?—That brings up the question of the margin between the two rates. Colonel Christie, who has studied the subject most carefully, is an advocate of having no margin at all. I do not wish to interfere with the operations of the exchange banks, and I think the natural margin is the one I have selected. I have selected the one which would rule under a gold currency system. If the Committee think that that margin is too great to prevent the flow of capital, it can be reduced.

3842. Much of the industry of India is carried on with borrowed money?—Oh yes.

3843. And might not high rates of interest check production by rendering it unprofitable?—Certainly.

3844. And in that case, might it not interfere with India's ability to discharge her foreign obligation in produce?—Certainly.

3845. And so tend to throw her back on exports of currency for that purpose?—It might in time.

3846. She would have to pay somehow?—Certainly.

3847. You say India could not spare enough currency to interfere with the success of your scheme?—Yes.

3848. But if trade were to be harassed by withdrawals of currency and a continuance of stringent money, might not the volume of trade decrease?—But the very special difference between this proposed currency system and the present is this; my system links the two currencies together. I hold that there can be no very severe stringency in the Indian money market as long as the two are linked together, because capital will flow from one country to the other, and there could not be any severe stringency under such a system as I propose.

3849. But India, if it wants currency, has got to pay for it?—I think the capitalists of Lombard Street will only be too happy to lend India currency when she requires it, under a system of this description.

3850. At page 6 of your pamphlet you say the question is, how much contraction of the currency could the Indian money markets bear without force being put in motion which would rectify the balance of indebtedness, and call for the return of the remittances; and, further, you allude to the point beyond which the Presidency banks could spare no further funds without raising their rates of interest to a height that would depress prices and create a demand for the return of currency exported. Does that mean that monetary stringency is to be relied upon to compel currency to return to India?—To a certain degree. In all gold standard countries it is the one thing that attracts fresh currency. If there is a want of currency, it is shown by the rise in the rate of interest, and it is the same with the London market. The Bank of England rate is raised. Why? For the purpose of attracting capital from abroad.

3851. Then you think that English capital would be attracted to India at the rate of $1s.\ 4\frac{1}{16}d.$?—A high or low level of exchange is the same thing to the capitalist; the rate of exchange will not affect him in the least if he knows that he can get back his money guaranteed by the Government of India without loss.

3852. At a loss of 2 per cent.?—It is for the Committee to consider whether 2 per cent. is too much.

3853. Would a temporary high rate of interest be sufficient to attract capital, taking into account the loss of time involved in sending it out and getting it back, in addition to the 2 per cent. loss on exchange?—It is open to the Committee to prolong the Gold Note Act, by which money can be remitted by telegraph.

3854. At a higher charge?—The great desideratum in India is a plentiful supply of capital, and it is for the Committee to arrange how that can be supplied. If these telegraphic facilities can be given on cheaper terms, why not?

3855. Then, with regard to permanent investments, would confidence be established until it became evident that the scheme was a success?—I am quite confident that capitalists in London, Paris, and Berlin will have complete confidence in an absolute and permanent guarantee on the part of the Government of India to convert rupees into sterling drafts in London. Nothing more is wanted.

3856. Then money sent out for investment means larger homeward remittances to pay for interest, profit, and so on?—Certainly, the more a country is developed the more she is able to pay.

3857. I think you said, in reply to Mr. Holland, that in the long run it is on her trade balance that India must rely for her supply of currency?—Yes.

3858. She must have fresh currency and pay for it by means of her produce?—Certainly.

3859. But before India has the means of acquiring currency in this way she must, must she not, have a balance of trade sufficient to provide for the 17½ millions of Council bills, in addition to the large private remittances to this country which have to be made every year?—Certainly.

3860. We have seen that in some years the balance of trade has not sufficed for that?—There has been no proper remedy for an unfavourable balance of trade. Since bimetallism was abolished, India has had no proper remedy for an unfavourable balance of trade.

3861. But might not an unfavourable balance of trade happen even under your scheme?—Yes, and an immediate remedy would be applied.

3862. What is the remedy?—Curtailment of circulation.

3863. If India had not a trade balance sufficient to enable her to get fresh currency in this way, would she have to do without it?—I said just now that the immediate remedy would be applied, the remedy that all gold-using countries have would be applied at once. There would be no more fear of India suffering from an unfavourable balance of trade under this scheme than there would be of any country so suffering that possessed a gold currency.

3864. The question has been before the Committee whether the great discrepancy between the intrinsic value and the face value of the coined rupee has led to any increase of illicit coining?—There has been no illicit coining of Government rupees as far as my experience goes.

3865. Has there been any illicit coinage of other rupees?—There has been illicit coining of Native State rupees. Just before I left there was an illicit coinage of Farrukhabad rupees to the extent of 60,000. The defence in that case was that those coins were coined merely for use as ornaments.

3866. Not for circulation?—Not for circulation. That was the defence.

3867. But are ornaments made in the form of coins?—Oh, yes; silver coins are largely used for ornaments in India.

3868. Were those coins equally good with the real coin?—Might I say this: I have some information about those Farrukhabad rupees, which I shall be able to give on a future occasion. I had a letter from one of our agents by the last mail which I have not had the time to go into.

3869. (*Sir J. Muir.*) I hear now, for the first time, about rupees being used largely as ornaments. On what part of the person are they used?—They are used for necklaces.

3870. By females?—Yes; girdles, and so on.

3871. In the tea estates in our tea-garden districts I do not remember having seen that at all?—I think they are largely used in the Darjeeling tea-garden districts.

3872. (*Sir C. Crosthwaite.*) You rely, I think, a great deal on the Scotch example?—The Scotch precedent; yes.

3873. Do you think that the cases are analogous completely?—I think, as far as principle is concerned, and as far as all important considerations are concerned, they are analogous.

3874. But had the Scotch banks to meet a large gold liability on their own account?—I think, myself, as I have explained, this system is the best possible for meeting a foreign gold liability.

3875. But had those banks, on their own account, to meet their own debts to pay large sums in gold in London at that time?—I have no information on that point.

3876. Do you think that the fact that the Secretary of State has to pay very large sums on his own account alters the case?—I think my scheme facilitates that, and facilitates it more than a gold currency scheme would.

3877. I do not quite understand whether, under your scheme, you intend the Secretary of State to go on selling his bills concurrently with the sale of rupee bills by the Gold Reserve Office?—I explained just now, in reply to Mr. Campbell, that, personally, I thought it desirable that the Council bill sales should be continued as they are at present; but, of course, that is a matter of detail for the Committee to consider.

3878. At present the general rule is to sell the bills for what they will fetch?—Yes.

3879. Do not you think the Secretary of State might be forced, under your scheme, to sell his bills below the minimum rate?—The rate could not fall much below the minimum, because the competition of the exchange banks, and (if necessary) the competition of outside operators, would preserve the bills from a fall of any importance below 1*s.* 3¾*d.*

3880. You think it might fall below the minimum rate, but not very much?—There could be no fall of any importance, because the proceeds could be returned at any time with profit through the Gold Standard Office.

3881. I did not quite understand what you thought would happen if the exports in any year were not sufficient to meet the Council bills. If the net exports of India in any year were not sufficient to meet the sterling liabilities, what would happen to the Secretary of State's bills?—There would be in a case of that kind a redundancy of currency. All would go on exactly as it would go on in a country with a gold currency.

3882. But suppose the Secretary of State puts up his bills for sale, and there is nothing to meet them in India; if, owing to famine or other causes there is nothing to export, and no one wants his bills?—Under this scheme he could not fail to sell them, because the exchange banks would buy them, knowing that when they got the proceeds in India they could buy drafts on the London sterling fund.

3883. The Secretary of State would really be, in effect, buying his own bills?—Precisely the same thing would occur under a gold currency, and under any system that you like to institute.

3884. Therefore, the whole thing depends on the net exports being sufficient?—The net exports must be sufficient, and the scheme provides for that.

3885. Every scheme is the same in that respect?—Every scheme is the same in that respect. That is to say, every convertible scheme is the same.

3886. You object to the Government scheme, on the ground that it works by a contraction of the currency. I understand that one of your objections to the Government scheme is that it is an attempt to force up the sterling value of the rupee by a contraction of the currency?—My objection to the scheme is the absence of convertibility. In all perfect currency systems there is automatic provision made for contraction and expansion.

3887. Under both schemes rupees may be melted, may they not?—Under both schemes, but there is this difference, that I do not rely upon melting rupees for contraction of the currency; I melt rupees in order to replenish the gold reserve.

3888. And under the Government scheme rupees are melted to effect a contraction of the currency?—Yes. And another important point of difference is, that under my scheme only those rupees that actually

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at the time depress the exchange will be withdrawn. Under the Government scheme the rupees that come out of the Treasuries, and that would not affect exchange one way or the other, are to be melted.

3889. The contraction of the currency under the Government scheme would be arbitrary?—Yes, and the wrong rupees will be selected.

3890. Your scheme would depend upon the purchase of sterling bills, and that would be regulated by the state of trade?—Under my scheme I have an automatic process which will make the rupee currency circulate, expand, and contract just as if it consisted of gold coins.

3891. I suppose in the case of any scheme it is a great thing to have the confidence of the people with you?—Certainly.

3892. Whose confidence do you want, the confidence of the bulk of the population, or the confidence of the people who remit money to England?—I do not think the bulk of the population will think about it one way or the other.

3893. Do you think the bulk of the population look upon the rupee at all as a question of sterling value?—No.

3894. They simply look upon it as a silver coin with which they can buy what they want, and pay their taxes?—They take the rupee because they know that a rupee will pay a rupee's worth of debt, and buy a rupee's worth of goods.

3895. At the beginning of your examination you said there was great stringency of the money market both in the North-West Provinces and in the Punjab?—Yes.

3896. A great want of coin?—A great want of coin.

3897. Will you tell me on what ground you say that; what are the facts that lead you to say that?—There was a heavy demand on the bank for coin by the purchasers of produce in the North-West Provinces and the Punjab. They were prepared to pay exceptionally high prices for accommodation there, and, what was very unusual, there were large remittances made of coin by firms dealing in produce from Calcutta and Bombay to the North-West Provinces and the Punjab. As a rule the local supply of currency there for some years past has been sufficient to meet trade requirements, but this last year it was deficient.

3898. Has it been the same as regards Burma?—In Burma there is a deficiency of currency every year.

3899. You always remit coin to your Burma branch?—Yes, wherever there is a great export trade coin has to be remitted for trade purposes. Every year remittances go to Burma for trade purposes, and large remittances go to the jute districts and in good seasons to the cotton districts.

3900. I suppose the Bank of Bengal does not make small advances for the payment of land revenue and rent?—No; what generally happens is this: money is advanced by us to the merchants who purchase the produce, and the money thereby obtained by the cultivators goes in part to pay the Government revenue.

3901. The Government revenue sometimes is collected before the produce is sold?—As a rule after the produce is sold. I believe that is the practice, and it is a very desirable one.

3902. And rent?—And the rent is collected as a rule after the produce is sold, after the first part of the produce is sold, and that is a very desirable arrangement.

3903. The land revenue as a rule is collected after the produce is sold?—Yes.

3904. You think the money goes back to the producers in time?—The money goes back to the circulation when the Government Treasuries make payments or deposit it with the Presidency banks.

3905. You said under your scheme there would be an immediate remedy for the unfavourable balance of trade, namely, the currency would immediately contract?—When I say an immediate remedy, I mean, it would be applied immediately. Of course the duration would depend upon how serious the redundancy was, but experience shows that an elastic currency system such as I propose can never be long redundant.

3906. It can only work to remedy the balance of trade by its effect on prices?—By its effect on prices and on the money market.

3907. But in order to increase the exports and make them meet the liabilities, it must work on the prices, must it not?—It should operate on the prices of commodities, and on the money market, because if interest rises money is attracted. The import of capital in that way is equivalent to an export of produce so far as exchange is concerned.

3908. But it would act on prices eventually?—It would act on prices eventually.

3909. (*Mr. Le Marchant.*) With regard to those Farrukhabad rupees that you were asked about, did you say that they were coined as ornaments?—This coinage was in circulation in Oudh and that part of the country years ago. I believe there were as much as 6½ crores in circulation about the time of the Mutiny, but it was gradually withdrawn. I am not quite up in the details of the case, but the defence was that the coins were manufactured for use as ornaments. These men were found by the police to be coining these coins, and I suppose the police must have thought it was an indictable offence.

3910. It is so, is it not?—I have not the facts of the case; I expect to have them by the next mail.

3911. I think the law is that it is an offence to coin current or uncurrent coins?—That is my own impression.

3912. But it is not necessary to assume that they were being coined with a view to large active circulation?—It is not necessary; but if, as was alleged, 60,000 of them were coined, it is possible that they were intended for an active circulation; you will have evidence about that later on.

3913. Now, in speaking of the redundancy of the currency, I take it you were speaking of its redundancy at this particular period?—In my opinion there is no redundancy.

3914. But I mean, when you use the term redundancy, you use it with regard to the present circumstances?—With regard to present circumstances.

3915. Assuming that there is redundancy in active seasons, then, *a fortiori*, there will be all the more redundancy in slack seasons?—Certainly.

3916. Was it not the case that in the evidence before the Committee of 1893 statements were made of a very large accumulation at the time of silver and currency notes in the hands of the banks?—There was a very large accumulation in 1891 and 1892. which appears to me in the interval to have been very largely worked off. Towards the close of the busy season of 1893 there appears to have been no great redundancy in the money market. I should like always to distinguish between the money market and the general circulation.

3917. I think you expressed the opinion that if convertibility had been part of the measures adopted in 1893 the currency would have been placed at once on a satisfactory basis. Perhaps I am not quoting your words accurately, but is that your view?—There would of course have been temporary curtailment of trade with China.

3918. I was referring to currency for the moment. Was there evidence of a large excess of currency in banking hands at that moment?—In June 1893 there was no evidence of an excess of currency in banking hands. The Committee had of course the figures before them for 1891 and 1892, when there was an enormous redundancy; but in June 1893 I think that had been worked off. In all probability there would have been a redundancy during the slack season of 1893, because there is always redundancy in slack seasons.

3919. In a certain criticism of your plan the remark is made that, if there is redundancy now, in your plan

it would all have to be cleared off by purchase at a fixed rate, instead of clearing it off by sale of melted silver at whatever price melted silver would sell for in India?—In my opinion, if exchange went lower than 1*s.* 4*d.*, the Government would lose more heavily over the exchange on Council bills than they would lose in paying interest on a conversion fund, and I cannot see the argument that contraction at 1*s.* 4*d.* will cause loss to Government.

3920. As a matter of profit and loss?—As a matter of profit and loss, to my mind, anyone who looks at the figures put before the Committee by Mr. Arthur will see, that even supposing there is a large demand for conversion at 1*s.* 3¾*d.* the Government must gain enormously. There is no doubt about it.

3921. Apart from the profit and loss, looking at the question of the demand on this conversion fund, it is very important to keep in view what demand upon it is likely to occur at the commencement of its operation. It may be that there are some circumstances as to the currency not easy to follow?—Certainly.

3922. If the demand at first were to be exceedingly heavy (I merely put that as a supposition), to that extent the fund will be used up to absorb what I will call useless rupees, as apart from the rupees that might be paid to the Gold Standard Office in order to obtain remittances?—Do I understand the question is whether the rate should be 1*s.* 4*d.* or less?

3923. I will take the rate of 1*s.* 4*d.* as a practical rate for the moment, and I ask you whether it may not be that in the first instance heavy demands may come upon that fund. I am drawing your attention to the commencement of operations on that fund?—Perhaps I may make my own view clear if I say this. In 1893, when the rate of exchange was 1*s.* 2⅝*d.*, I should think that the proper rate of conversion to have taken then would have been 1*s.* 2½*d.* to start with, and to have raised the par rate to 1*s.* 4*d.*, which is, I think, for many reasons a very convenient rate. But now I think the position is entirely altered. I do not see how the question of losing by buying rupees at 1*s.* 3¾*d.* comes in. There is no doubt in my mind that Government must gain all round by fixing the convertible rate at 1*s.* 3¾*d.* The only question to my mind is whether it will affect trade; but I think that, the rate having been at that level so long, trade will not be disturbed. As far as Government is concerned, I do not see how they could possibly lose, looking to the figures placed before the Committee by Mr. Arthur. If the Government of India think that convertibility at 1*s.* 3¾*d.* will involve too large an expenditure (though for the reason I have given I cannot see that), why not start convertibility at 1*s.* 3*d.* and gradually work up to 1*s.* 4*d.*?

3924. I was not so much discussing the detail of 1*s.* 3*d.* or 1*s.* 4*d.*, but asking whether you contemplate the possibility of commencing at 1*s.* 3*d.*?—I think the all-important principle is convertibility from first to last. If convertibility at a high rate is not feasible, then commence lower; but the all-important principle is convertibility. That is the only way in which confidence can be given.

3925. The principle you allude to at page 11 of your pamphlet is the principle of raising the rate subsequently?—The principle is laid down very clearly in the passage that I quoted from the report of one of the Committees. Under the legislation of 1819 convertibility was immediately adopted. It was adopted at a low rate because, I presume, it was thought that it would disturb trade to adopt convertibility at the higher rate.

3926. I am asking especially with reference to the idea of raising the rate subsequently. Was that contemplated by you?—Certainly, it was contemplated by me in my pamphlet of 1892, and in my letter to the "Bullionist" as far back as 1876.

3927. How far would you contemplate it now as an alternative?—Now I think no inconvenience can be caused by establishing convertibility at 1*s.* 3¾*d.* The Government cannot lose; they must gain; and I do not think trade can be seriously affected; but, of course, that is a matter for the Committee to consider. If it was thought desirable and safer for the first few years to start with a low rate, by all means do so; convertibility is the all important thing.

3928. (*Sir J. Muir.*) That is a very vital point?—That is the all important point.

3929. (*Mr. Le Marchant.*) What do you view as the effect of starting at one rate and subsequently raising it to another?—Of course it is not desirable if it can be avoided, but still convertibility is above all things to my mind for the sake of giving the country an ample supply of capital.

3930. If the demands on the sterling fund did prove to be serious in amount, owing either to a great requirement for remittance, or possibly from a considerable redundancy, do you think that a material curtailment of the fund might lead to some distrust of the policy being continued? A material reduction of the fund raises the question as to the cost of replenishing it?—The cost of replenishing the fund must always be very much less than the loss that the Government would suffer if Government allows exchange to drop. I am afraid that the figures laid before the Committee by Mr. Allan Arthur are not clearly understood. To my mind it is most important to bear in mind that the cost to Government of maintaining convertibility at 1*s.* 3¾*d.* is much less than the loss that they would otherwise suffer by a drop in exchange. If the conversion fund under this scheme of mine be exhausted, the demand for remittance that caused the exhaustion would in the absence of convertibility have lowered exchange, and the loss the Government must suffer from that drop in exchange must be greater than the loss that they could suffer by maintaining convertibility at 1*s.* 3¾*d.*

3931. If there were a succession of unfavourable years, unfavourable from seasons or unfavourable from prices, the demands on the fund would be accumulating; they are not a matter of annual demand that necessarily adjust themselves, but they would, or they might, accumulate?—Certainly; but always bear in mind that the scheme contains the orthodox remedy for such a state of things. You simply go on the orthodox beaten track. If the balance of indebtedness goes against the country the effect of this machinery would be to curtail the circulation just as if the country had a gold currency. If the balance of indebtedness went against the country when it had an ample circulation of gold coin exchange would drop to 1*s.* 3¼*d.*, and the exchange banks would go on selling at 1*s.* 3¼*d.*, and they would export currency; they would take the gold coins and export them and draw against them. The currency of the country would be curtailed, and that would redress the unfavourable balance of indebtedness.

3932. How far would redressing the balance of indebtedness depend upon the expectation of the community in England as to the future of Indian exchange, for instance, if the idea was that exchange was going on falling what would happen?—But exchange could not fall with a gold circulation, because no one would pay less than 1*s.* 3¾*d.* for a bill on London when they could take gold coins out of circulation and export them. Exchange could not fall, and the same remedy would be in operation supported by a Government guarantee under my scheme. Therefore, how could the British public expect the exchange to fall below 1*s.* 3¾*d.*? That I fail to see.

3933. Would it not be the same as in the case of gold-using countries where, when gold flows out with great rapidity, anxiety is excited as to the maintenance of the gold standard? Take the case of the United States. Did they not between July 1893 and July 1896 raise three loans mainly to replenish their gold reserve, and were not those loans ineffective for that purpose?—That was because there was a defect in the American currency. They had a redundant currency of paper and no redress; they had no possible means of curtailing the greenbacks; their system was altogether faulty. It is quite conceivable that a country with a gold currency might suffer so severely

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from an unfavourable balance of indebtedness that doubts might arise as to whether the exchange banks and others would be able to obtain gold coins to send abroad. That is possible, of course, and that is why I think it desirable that Government in adopting an economical scheme of this kind should give a guarantee that will be absolute in all circumstances. Looking along the Presidency Bank balances for the last few years, I see they vary from 3½ crores to 10½ crores; I believe in 1892 they rose to 13 crores, their highest point. How could anyone imagine that a withdrawal of 20 crores, which would take place under a 10 million guarantee fund, would not be sufficient to rectify the balance of trade?

3934. Do you think the bank balances in the United States afforded a limit to the withdrawal of currency?—Certainly. The bank balances in the United States are enormous, but any large drop in these balances should tend to raise the interest rate and attract capital.

3935. I do not think that operated, did it, until the general confidence turned in favour of the States?—Of course in the States the gold was supplied partly by the banks and partly by the treasury. It was the treasury balance of gold that was looked to, I think.

3936. I was looking to the fact of its disappearing from the country rather than disappearing from the treasury?—I cannot imagine the balances of the United States banks being largely reduced without their requiring more currency, and then they would, if necessary, import gold from abroad, but in the United States I think it was a question of the Government balances.

3937. That is why I asked, because the actual fact appears to be that gold from the treasury, in some respects having a resemblance to what you suggest for India, had left the country?—Under my scheme fresh currency can only be issued against deposits of gold. In America money was over-issued against silver deposits, and the excess issues of paper drove out the gold. They borrowed more gold and the position was rectified.

3938. I think it was not rectified till their trade balance and confidence in the currency policy of the country turned the scale?—In my opinion the American system of currency is very defective. There is all that paper currency in greenbacks which cannot be reduced. Under an unfavourable balance of trade the Indian currency would be curtailed. Under an unfavourable balance of trade the greenback currency is not curtailed.

3939. The notes, it is true, could not be curtailed, but they only come into the hands of the public by being paid out by the Government. There was no necessity to re-issue them; they were only re-issued because the actual circumstances of the Government caused them to pay them out. The parallel I was drawing was this: If the Indian Government were short in their revenue collections, how far would something similar arise?—The Government of India would borrow in India or curtail Council bills, and in either case exchange would tend to rise. I do not think myself that in the case of America the remedial machinery which I propose is in operation. A scheme such as mine embodies the principle on which the balance of indebtedness is adjusted all the world over in gold standard countries.

3940. Confidence has a great deal to do with it?—Oh yes, in all things.

3941. Confidence in the eventual rise in exchange?—Yes, such confidence as a guarantee of the Government of India would give.

3942. And also in exchange to a certain extent righting itself, because otherwise there would be no motive in sending out fresh capital if a loss of 2 per cent. were still likely to occur upon it?—Of course, it is only in extreme cases that this loss of 2 per cent. would be incurred. As a rule, capitalists would send out their capital at a lower rate of exchange. A capitalist may lose 2 per cent., but as a rule he stands to lose nothing at all. Two per cent is the maximum loss.

3943. When you say that in the Government plan the rupees would be taken from the wrong hands, they would merely be withdrawing rupees from those in the country who choose to buy their silver, would they not? It would be entirely a free operation?—Oh yes, but the rupees that are to be melted down are rupees in the Treasury balances which are not affecting exchange. Of course I admit that the rupees that are not melted down but are withdrawn from circulation will have some influence. But what I object to is that Government contemplate destroying rupees which are not affecting exchange in the least. Rupees that are locked away in the Treasury balances cannot possibly affect exchange. I admit that those rupees that are not melted down, that are withdrawn from circulation, will affect exchange to some extent, but not so effectively or economically as under my scheme, because the only rupees withdrawn under my scheme are those that would otherwise depress exchange below the conversion rate.

3944. With regard to the action of the Government, if exchange falls to the minimum rate, do you propose that the Government should continue to sell bills or draw themselves upon the sterling conversion fund?—Personally, I am in favour of Government continuing selling, though, of course, I admit the Government would lose by so doing. Still, I think that, for the sake of leaving exchange operations entirely in the hands of the market, it is better for the Government to face that loss. I should like the exchange market to be left as much as possible in banking and commercial hands.

3945. Just so far as the Government may continue to sell when the demand for Council bills is slack the exchange might drop to just such a price as would enable the purchasers, who I will assume are mainly the exchange banks, to find a profit in buying?—I should be glad to give that profit to the banks. I believe it would be a very trifling profit, because competition would keep it within trifling limits, and I think it is desirable, as I said before, that operations of that kind should be left as much as possible to the market.

3946. So far as that might be going on there would be no contraction. The Government would be paying out as against these transfers, or Council bills, rupees to the exchange banks with which they in turn could at a profit buy drafts on the conversion fund, and that revolving operation might continue?—To that extent the only contraction would be the contraction of the Government balances; but the difference between this scheme and the policy of 1893 is this: that at the same time, when that contraction of the Government balances would be going on, there would also be other contraction going on. For instance, if exchange had a tendency to fall below 1*s.* 3¾*d.*, the exchange banks and other remitters would be taking advantage of the conversion machinery. Under this scheme at that time every single rupee that tended to lower exchange below 1*s.* 3¾*d.* would be withdrawn from circulation. This was not the case in 1893.

3947. It appears that the Government are assumed to continue selling Council bills on India?—Yes.

3948. The rupees with which these Council bills are paid would be paid out to the banks?—They would be paid out of the Government balances in India into the hands of the exchange banks. It is assumed that these exchange banks would pay in these rupees to the Gold Standard Offices again.

3949. But so long as that continues, and so long as the exchange banks could buy Council bills and in India simultaneously buy drafts on the conversion fund, there would be no limit to the operation?—To that extent there would be a contraction of the Government balances going on, and a curtailment of the usual supply of rupees to the exchange market. At the same time, if exchange still tended to drop below 1*s.* 3¾*d.* in addition to the Government contraction,

there would be contraction of the rupees in the hands of outside remitters.

3950. I still do not follow that. Suppose the Secretary of State goes on selling, and exchange has a tendency to drop below 1*s.* 3$\frac{3}{4}$*d.*, what happens, as you correctly explained, is that he will sell Council bills. The proceeds of the Council bills will come out of the Treasury balances, the Treasury balances will be reduced to that extent by the money which the exchange banks take over from Government; that is to say, the proceeds of these Council bills will be paid into the Indian Gold Standard Offices and the banks will receive money from the London Gold Standard Office. To that extent the only contraction that goes on at that time is the contraction of the Government balances in India?—That is clear.

3951. In effect it is the same as if the Government handed in their balance direct to the conversion office?—Certainly, only there is this: that if you leave this thing open it becomes a question with the exchange bank in Calcutta or Bombay, "Shall I remit that money to London or shall I not?" I like these things left open to the market. But the special point I want to bring out is this: that the difference between this policy and that of 1893 is that at the same time as these operations are going on there is also contraction going on, in all probability, in the outside market, because, if the tendency of exchange is to fall below 1*s.* 3$\frac{3}{4}$*d.*, there will be other remitters at the same time taking advantage of that machinery, and the currency will be curtailed to the extent that is absolutely necessary, which was not done under the policy of 1893.

3952. The difference is this: that if in 1893 the increases of balances had been set aside, and ear-marked as a separate fund——?—If they had been locked up and it had been announced that they would not be put again in circulation until exchange rose to 1*s.* 4$\frac{1}{16}$*d.*, then so far the cases would have been analogous; but in addition to that (and this is the important part of it) other rupees in the hands of remitters that are redundant, that would be left under the 1893 policy still further to depress exchange, are under this scheme taken out of circulation. In the case we are assuming, the rupees that the Government paid out will go direct to the Gold Standard Office, but other rupees also will be withdrawn from circulation and go direct to the Gold Standard Office if exchange shows a tendency to drop below 1*s.* 3$\frac{3}{4}$*d.* I think always, when you are in a difficulty of this kind, the thing is to think of what would occur under a gold currency system. Comparing what occurred in 1893 with what would have occurred under a gold currency system, the difference is this: even suppose that in 1893 the rupees representing unsold Council drafts had been withdrawn from circulation and locked up until they could be sold at 1*s.* 4$\frac{1}{16}$*d.*, even supposing that, under a gold currency system, the Secretary of State would go on selling drafts below 1*s.* 3$\frac{3}{4}$*d.*, the exchange banks would buy these drafts; they would take them out to India, and finding exchange with the tendency to drop below 1*s.* 3$\frac{3}{4}$*d.*, what would they do?

3953. (*Mr. Campbell.*) But why could not the Council do that itself?—The Council might do it, but I have put this in the interests of the exchange banks.

3954. But why should not the Council do it instead of the exchange banks making a profit?—There is no reason why they should not, if you approve of Government interfering with the exchange market. The position is this: if Government goes on selling these drafts the exchange banks get the rupees, and when they get the rupees in their hands it is a question with them, "Shall we buy the Treasury drafts or employ the money in India?" If the Secretary of State refuses to sell, that option is not left in the hands of the exchange banks. But still, as a matter of principle—unimportant principle though it may be—I desire to leave that in the hands of the exchange banks. As I pointed out, however, in my pamphlet, the Government in that case, as you rightly say, will suffer a loss which they need not suffer; there is no special reason why they should suffer it; it is simply a question of policy—is it desirable that the Government should incur a small loss for the satisfaction of leaving these operations in the hands of the exchange banks?

3955. (*Sir C. Crosthwaite.*) I was going to ask, would not the result be the same if the Secretary of State said, "I will not draw." He would only transfer his ordinary cash balances into the gold reserve?—There is no important objection to the Secretary of State remitting through the Gold Standard Office when a better rate is unobtainable outside. That is what the Madras Chamber of Commerce proposed. Of course, in the face of all these authorities, I do not want to say much against it, but it is a matter of principle—unimportant, but still a matter of principle—that the exchange banks should have the option of employing these rupees in India.

3956. (*Mr. Le Marchant.*) I was rather assuming that you raised an objection in principle to the sale of Council bills, but you thought that this would have advantages?—Yes.

3957. So far as the sterling fund on this side goes, the only distinction I can follow between suspending Council bills and continuing in the way you describe is that in the case of suspension the sterling borrowing has to be made when the home charges have to be met. In your case it would have been previously necessary to set up the sterling conversion fund or to replenish it?—Only if the sterling conversion fund were exhausted.

3958. You, I presume, set up the sterling conversion fund by borrowing. That affords a fund which can be used for the particular operation you have been describing of selling Council bills to the exchange banks, who in turn obtain drafts on the sterling conversion fund. The distinction between that and suspending the sale of Council bills so far as London is concerned is, that when the sale of Council bills is suspended, sterling borrowing has to take place then and there, instead of having taken place previously for setting up the conversion fund. I am asking whether you would agree that this is the distinction?—Do I understand that you are drawing a comparison between a system of merely suspending Council bills and my system?

3959. Yes?—Oh, there is a very important difference.

3960. Not with regard to the sterling side in London. It appears to me that you thereby use up your sterling conversion fund which you have raised before?—Yes, but why should the Secretary of State borrow before that fund is exhausted, and he need not sell Council bills at 1*s.* 3$\frac{3}{4}$*d.* until the money is actually required.

3961. Do you view one of the purposes of contraction, that is to say, of the public paying the rupees into the conversion office in India, as being a reduction of rupee prices of products in India?—The more immediate effect of any contraction of that kind is on the money market, which attracts capital, and thereby tends to rectify the adverse balance of indebtedness, and it also ought to operate through prices, but I think, as a general rule, it is through the money market that contraction of the currency more immediately affects the balance of indebtedness. Both prices and the money market, are affected and the more immediate effect is through the money market by attracting capital.

3962. Capital in a money form?—Not necessarily in a money form. It depends upon the rate of exchange, if the rate of exchange is high—1*s.* 4$\frac{1}{16}$*d.*—and there are no rupees in the Indian Gold Standard Office, fresh money would be required.

3963. That is to say, the remitter of capital would buy the command of the rupees?—He would buy the command of the rupees; if the rate were less than 1*s.* 4$\frac{1}{16}$*d.* fresh currency would not be required.

3964. Then exchange would be in those circumstances worked up from the minimum (we are assuming

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that it has fallen to 1*s.* 3¾*d.*), and the effect of this would be to work up gradually to 1*s.* 4 1/16*d.* by getting at the rupees in India?—Certainly, the demand far remittance of capital to India would have the same effect on exchange as an export of Indian produce.

3965. You do not think a more rapid effect would be caused by diverting the demand for sterling remittance to drafts on the conversion fund, thereby making bills against exports relatively more plentiful in the market, so that the sellers of bills would come in on terms more favourable to the persons wishing to remit. Suppose a certain amount of sterling remittance is provided by drafts on this conversion fund?—By the sales of commercial sterling drafts?

3966. I am assuming that people want to remit from India to England. Under your plan the Government offers them remittance in a certain way; that draws off demand to that particular source of supply, and thereby leaves in the markets bills against exports?—There will be a greater demand for bills against exports.

3967. I mean the reverse, a larger supply of sterling bills relatively to the demand?—Yes, that is so.

3968. That would cheapen sterling in terms of rupees?—That would raise exchange.

3969. And in turn, export bills would be more available, being relatively cheaper than they would otherwise have been, and would in turn become available for persons willing to remit?—Yes.

3970. How would that act on prices of exports?—Of course a rise in exchange is always supposed to stimulate imports and curtail exports temporarily.

3971. I was asking how far Government offering sterling at 1*s.* 3¾*d.* would indirectly affect the price of exports?—It would put a stop to the drop in exchange below that rate; that is, supposing we start with an unfavourable balance of indebtedness. There are two remedies for that. There is the old-fashioned remedy of a drop in exchange, which I admit tends to enhance exports and curtail imports temporarily, that is a faulty system; all economists say that the orthodox remedy is a curtailment of the money in the exchange market.

3972. Do you think that the system of offering exchange at a fixed rate operating in the way you describe on money in the market, and therefore on discount rates, would affect the rupee prices of exports?—It always has done. It does so in all countries, why should it not do so in India?

3973. I am asking your opinion—in the direction I mean of lowering prices?—In the direction of lowering prices, if necessary. Under a convertible system prices of commodities cannot move exchange beyond specie export and import points, when these are reached prices are governed by exchange.

3974. Your system, as I understand it, is to concentrate all the supply and demand of this form of gold remittance in the hands of the Government?—What my scheme does is this: when under a gold currency gold coins would be exported or imported, then under my scheme gold drafts or rupee drafts will be sold.

3975. Through the Government?—Through this machinery, which is purely automatic as far as Government are concerned; Government have no discretion in the matter. I wish to make that thoroughly clear.

3976. But it would be through this particular agency. I was endeavouring to contrast it with the Government scheme, where if gold flowed in through the action of the public, it appeared to be assumed that gold would equally flow out through the action of the public without the operation passing through a Government agency. It appeared to me that as your scheme in one sense was economical, in the sense of only using gold or silver for exchange purposes, to that extent it concentrated the demand for that exchange currency on this agency?—Yes, when specie export or import points are reached the movement is stopped by concentration of the demand for remittance on the Gold Standard Offices.

3977. It would concentrate it?—Yes.

3978. Do you think that, if the balance of remittance requirements were adverse, your plan would have the effect of drawing attention to the fact? The whole immediate demand would be concentrated on the fund from the first, and in that way would show itself in the depletion of the fund?—I think myself that that is an advantage. Were India to go to the expense of establishing an ample gold currency such as England possesses, then of course there would be as complete confidence, and things would work equally as well as under my system; but the expense would be enormous, and if you had instead of that a small gold circulation, liable to be drained away into the internal circulation and hoards, little would be left for export, and whenever exchange showed a tendency to drop, there would be a rush on the part of banks, bullion dealers, and money changers, to secure all available, knowing that if exchange dropped below 1*s.* 3¾d. the price of those coins would rise. I think any danger of that kind is much less under my scheme than under a gold currency scheme.

3979. (*Sir J. Muir.*) You say the expense would be enormous; what would you call it roughly?—We have had various estimates. One estimate that has been laid, I think, before the Chamber of Commerce of Calcutta was 80 millions sterling.

3980. (*Sir F. Mowatt.*) That is practically the amount of the currency?—It is the amount of the currency apart from hoards and apart from small coins. That is not my estimate. I do not think myself that it would require nearly so much as that.

3981. (*Sir J. Muir.*) Whose estimate is that?—I cannot say. I am told it is being put before the Bengal Chamber of Commerce. I would rather not go into that.

3982. (*Mr. Le Marchant.*) You are not at all apprehensive that the concentration of this demand on the Government fund, and the attention that would be drawn to the degree to which it may be depleted at certain times would in itself be a reason for apprehension as to the future?—I think not. Take the case of Russia, with a small gold circulation and large concentration of gold in the hands of the banks of Russia. I think that system provides much better for meeting an unfavourable balance of indebtedness than a system in which the gold is all circulating in the pockets of the people, and would not be get-at-able during a time of unfavourable balance of indebtedness.

3983. There is a passage in the report of the Finance Minister, alluded to by to Sir David Barbour, in which he expresses the opinion that gold ought to be put in the hands of the public with the view of not concentrating the demand?—I do not think that that would meet with Sir David Barbour's approval.

(*Sir D. Barbour.*) The report was alluded to by me, but I have expressed no opinion about the expediency of forcing gold into circulation.

(*Witness.*) I approve much more highly of the Dutch system, which provides for readily meeting all demands for the export of gold.

3984. (*Mr. Le Marchant.*) Through the bank?—Through the bank.

3985. Do you look in the long run to the material conditions as eventually determining exchange?—The balance of indebtedness must always rule exchange.

3986. Through prices?—Through prices, which of course rule the balance of indebtedness, and are ruled by exchange under any convertible system.

3987. And you would wish to bring those prices into the most direct relation to the prices in sterling countries?—Certainly.

3988. So that exchange would right itself with the least possible difficulty?—Exchange would right itself, and the balance of indebtedness would be adjusted with the least possible difficulty.

3989. There was something said about absorption of rupees in Burma; it was said that they did not return to the banks in the same quantity as from other

parts of India?—Of late years they have been returning to a larger extent, but still there appears to be absorption in Burma every year.

3990. Is it the case that the rupees are used for paying the wages of the coolies who go from Madras to Burma in the rice season, and who return with their wages to India, so that the rupees come back indirectly in that form?—Certainly I should think that a certain number of these rupees are taken away by the Madras labourers every year. That is one of the forms of absorption.

3991. But they return indirectly?—I suppose in the long run part of them will return. The natural manner of their returning to circulation will be in payment for imports.

3992. But it would merely be a form of circulation, they would not come directly back to the banks?—What we find is this, that wherever there is a large export demand largely in excess of the import demand, in that part of the country there is a greater absorption of coin. For instance, take the Central Provinces, which have of late suffered year after year from bad crops. Our experience is that there is no absorption of coin there, rather the opposite. The same with the North-West Provinces. The North-West has suffered more or less from bad harvests until the present year, and there has been until this last year comparatively little absorption of coin there. On the other hand, in Burma, which has been a flourishing province with a large export, there has been a great absorption of coin. In the same way with the jute producing districts of Bengal and with the cotton industry of Bombay. A good cotton season means a great absorption of coin. A large export trade compared with the import trade leads to a great absorption.

3993. By absorption you mean that the coins remain there?—The coinage is taken out of the market. Of course it may come back eventually; no one can trace coin in that way, but we know that it is absorbed, it does not come back directly.

3994. (*Sir C. Crosthwaite.*) With regard to the coolies, the police and others from India who serve in Burma, most of their savings are remitted by postal orders?—To a large extent, but with a population of that kind, a migratory population, just going there for the harvest season and coming back, they would bring some rupees back with them I should think.

3995. (*Mr. Le Marchant.*) If a large sterling fund is accumulated in London, which, I think, under favourable circumstances, you look upon as possible, do you look forward to eventually moving on to a gold currency basis?—I agree with Ricardo that a currency on this basis is the best possible currency system. If, as I believe, it will be found to work well in India, I look forward to its being adopted in other countries, especially in those countries that have a heavy gold debt and a falling sterling exchange. Countries that experience difficulty in maintaining a gold circulation may also give up the use of gold coins. I agree with Professor Marshall that the currency in the future will be on Ricardo's system. As I regard Professor Marshall as a very high authority I should like permission to quote his words from page 110 of my pamphlet:—"I believe that the "world will ultimately have an international paper "currency on Ricardo's model based on gold and "silver, thus reaching a true bimetallism and not the "*alternate* mono-metallism which alone seems attain-"able now, but I do not expect the change to come "in my lifetime nor even soon after its end."

3996. (*Sir C. Crosthwaite.*) There would be difficulty in putting the reserve in London for the whole world?—Then of course countries that have not that advantage must go back to Ricardo's system of gold bars. Having the conversion fund in London is in my opinion the most convenient and economical method of adopting the principle, and it could be carried out by all our colonies.

3997. (*Mr. Le Marchant.*) I am on the point of the accumulation of money. You do not consider that taking 60 per cent. of that sterling fund, so far as paid in by the public, and with that purchasing silver and coining rupees, would be a disadvantage, looking forward over a long period of time?—It would be a decided advantage. There is a profit to India now, and later on, when India learns to use paper money, the profit will be greater.

3998. You are contemplating notes instead of gold?—Eventually, as India becomes more civilized she will go on to a note stage.

3999. Notes being issued against a gold payment in London?—A gold payment in London, under the present Gold Note Act would answer, provided the notes were made convertible into sterling drafts on London.

4000. (*Sir D. Barbour.*) It has been suggested to me that you might like to state briefly your reasons for placing the reserve in London rather than in India?—I have already said that it is in my opinion very desirable in a country such as India, where the people are very conservative in their habits, that no change should be made in the circulating medium if possible.

4001. But the question refers merely to the location of the reserve?—I have given my reasons at page 7 of the pamphlet: "(1.) The gold will be required only "for settlement of the balances of India's foreign "indebtedness, and, as London is the one great "centre for settlement of international indebtedness, "it will be the most convenient spot both for receipt "and payment of the gold. (2.) There must be more "or less uncertainty as to the quantity of gold or "sterling money required as a conversion fund, and "gold or sterling money can always be borrowed in "London at short notice, whereas there would be no "facilities for prompt replenishment in India. (3.) "The replenishment of the fund in India would "withdraw gold from London, whereas its location "in the Bank of England would strengthen the great "central reserve of the Empire. (4.) India is a "hoarding country, and if her currency is made con-"vertible on the spot into gold bars, and these bars "are always exchangeable on the spot into currency, "there is a danger that the gold bars will be absorbed "into hoards and kept there, instead of rupees "bearing extrinsic value. (5.) The location of the "reserve in India might create a monetary crisis under "exceptional circumstances. Although London can "obtain gold in a few days' time, both from Paris "and Berlin, yet a monetary crisis occurs there now "and then, because the gold is not obtainable "promptly. India is protected, as a rule, from these "crises by the system of Council wire transfers; but "these are not always available, and looking to the "great distance between London and India, the issue "of fresh currency should not be delayed until gold "can be imported. (6.) Under ordinary circum-"stances (*i.e.*, except during or shortly *after* periods "of redundancy) the gold paid by the public into the "conversion fund will be for the purchase of new "rupees, and part of the gold will, therefore, be used "by the Government in the purchase of silver for "the Mint. As silver can best be bought in London, "it is desirable that Government should receive the "gold there. If the gold is received in India, and "the silver bought there, not only will Govern-"ment have to buy in a small and unreliable market, "but two metals will be sent to India when one only, "viz., silver, is wanted. (7.) The object of the "scheme is to prevent the use of gold as currency in "India, and to confine its use in connexion with the "Indian currency to the settlement of the balances of "India's foreign indebtedness, and it is pure waste of "time and money to bring gold out to India merely "for the purpose of having it sent back."

4002. You said that it would be possible to start at a lower rate than 1*s.* 4*d.* and rise to 1*s.* 4*d.* How would you propose to do that? Assuming that we start at 1*s.* 2*d.*, what rates would you fix for the bills?—In a matter of that kind I would not be disposed to follow the precedent of 1819, because if you announce

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beforehand when and to what extent you will make a rise you immediately invite speculation.

4003. But supposing we were to begin at 1*s.* 2*d.* what rates would you fix?—I would make the difference the same—2 per cent. The rupee currency might be convertible into sterling at 1*s.* 2*d.*, and sterling into rupees at 1*s.* 2¼*d.*

4004. And then when you made the change it would mean a complete alteration of the rates?—Government must be given discretion when to raise the rates. Every precaution must be taken to avoid speculation.

4005. There was a remark made which seemed to indicate that it was thought that a remittance of capital to India necessarily involved an addition to the Indian currency. Do you hold that view?—Oh no, certainly not; it is simply a question of the rate of exchange at the time.

4006. It does not necessarily involve an addition to the Indian currency?—Not necessarily.

4007. If I wished to send money to India I might buy piece goods (putting aside the banks altogether) in this country with my money; I might send them to India; sell them to the people of India, and, if I liked, place my money in an Indian bank in Calcutta, and in this way add to the supply of banking capital, although there was no addition to the total currency circulating in the country?—Certainly.

4008. Your scheme in the last resource depends on contraction of the currency?—All schemes do.

4009. I am not raising an objection, but it is so?—Yes.

4010. But you hold that the available balance at the banks for remittance to this country is so small that a comparatively small purchase of these 1*s.* 3¾*d.* bills would so contract the currency as to redress the exchange?—Yes.

4011. Comparatively small?—Comparatively small.

4012. If from any cause, or series of causes, money should flow from the circulation outside the banks into the banks and be remitted home, then that contraction would not immediately affect the balance at the banks?—That contraction would not suffice, further contraction would be necessary.

4013. I think you hold that money is not likely to come in in that way?—Not to any inconvenient extent.

4014. Suppose the Secretary of State instead of drawing bills for 17 millions sterling yearly, had to draw bills for 27 millions sterling—an addition of 10 millions sterling (I am putting an hypothetical case) —he would have to raise additional revenue in India, in order to meet these drawings, to the extent of 15 crores of rupees yearly?—Yes.

4015. He would raise that from the general population?—Yes.

4016. He would not withdraw money from the banks for that purpose?—When money is raised in that way it is raised at the time when the crops are sold. There must necessarily be a great connection between the payment of revenue ——

4017. But the capital in the banks goes out and comes back again?—It comes back again, but we always find that at the time the Government balances run up the bank balances run down.

4018. But the Secretary of State would not take away money from anybody except the general population?—I cannot conceive the Secretary of State taking 12 crores from the pockets of the people without that affecting the balances at the banks.

4019. But it might not do so immediately?—It might not to the full extent.

4020. He might in this way draw from the country a certain amount of money which would not come out of the presidency banks?—He might.

4021. You admit that in the distressed parts of the country rupees rather tend to come out than to flow in?—Yes.

4022. The Secretary of State, through the Government of India, might raise that money in the provinces, and banks who bought his bills would get those rupees in India from the Government of India?—Yes.

4023. That would be an addition to what they had before?—Yes.

4024. And they might remit that money home?—Certainly.

4025. I am not putting this forward as very likely to occur, but as what might occur. Money might flow into the banks in Calcutta and be remitted home without completely, or to the full extent, reducing the balance of the banks?—Yes. I think the explanation of what would happen in a case of that kind is clearly given at page 13 of my pamphlet, where I make an extract from Mill's Political Economy. "Commerce being in a "state of equilibrum when the obligatory remittances "begin, the first remittance is necessarily made in "money. This lowers prices in the remitting country "and raises them in the receiving. The natural effect "is that more commodities are exported than before, "fewer imported. When the debt thus annually due "(for goods) to the tributary country becomes equal "to the annual tribute or other regular payment due "from it, no further transmission of money takes "place; the equilibrium of exports and imports will "no longer exist, but that of payments will, the exchange will be at par, the two debts will be set off "against one another, and the tribute or remittance "will be virtually paid in goods."

4026. I entirely agree with that, but the point I wanted to bring out was this, that it was conceivable that under certain circumstances money might be found for the purchase of bills at 1*s.* 3¾*d.* which was not drawn from the balance of the presidency banks. You think that is not likely to occur?—That is not likely to occur to an inconvenient extent.

4027. But it is a conceivable case?—It is a conceivable case, and it would occur precisely in the same way under a gold currency.

4028. Under your system, what would take place would be the same as what would take place if both countries had an actual gold currency?—Yes.

4029. But you know that under certain circumstances the export of gold from one country to another may be so severe as to bring on a financial crisis and cause a general fall of prices?—As far as my experience goes such remittances are never of very large extent. I quoted the opinion of several authorities to that effect yesterday.

4030. You think that no case has occurred where remittances of gold from a country have been so severe as to bring on a commercial and financial crisis?—Not when the currency was readily obtainable against gold, and convertible into gold.

[The witness withdrew.]

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Mr. ALEXANDER MARTIN LINDSAY recalled and further examined (*5th July* 1898).

4031. (*Chairman.*) Before we ask you any further questions, I should just like to see that the Committee, or at all events that I myself, perfectly understand your plan. I propose now to state to you what I think it is, and then you will see if I have got it right. I understand your plan to be, that the Indian Government should in the first place raise a sterling loan in London of from 5,000,000*l.* to 10,000,000*l.*?—Yes.

4032. That the produce of that sterling loan should be deposited either in the India Office or the Bank of England?—In the Bank of England, as a current account, I suggested.

4033. And the produce of that loan you would call the gold standard reserve?—Yes.

4034. Your next proposal is that the London Gold Standard Office—that would be a department of the Finance Department of the India Office—should have control of this fund?—Yes, the work might be done by the office that takes charge of the sale of Council bills here.

4035. That this Gold Standard Office should be obliged to sell to all applicants rupee drafts payable in India for sums of 15,000 rupees and upwards in exchange for gold, to be paid in London at the rate of 1*s.* $4\frac{1}{16}$*d.* per rupee?—Yes.

4036. Then that these drafts should be drawn on two offices in India, either on the Indian Mints or on the Calcutta and Bombay Presidency Paper Currency Offices?—Yes.

4037. These offices would be called the Indian Gold Standard Offices?—Yes.

4038. Then these drafts are to be made payable on demand in India. You then propose that the Indian Gold Standard Office in India should be prepared to sell to all applicants sterling drafts on a London Gold Standard Office, payable on demand, in sums of 1,000*l.* and upwards in gold, in exchange for rupees, at the rate of 1*s.* $3\frac{3}{4}$*d.*?—Yes. May I add, that in order to ensure payment of the rupee drafts on demand or by telegram when necessary, the Paper Currency Department should be authorised to issue notes to the Indian Gold Standard Office against gold in London or silver bullion in transit to India, under provisions similar to those of the Gold Note Act of 1898. The Gold Standard Office will receive 1*s.* $4\frac{1}{16}$*d.* per rupee, and will buy silver bullion to replace the rupees taken from the Paper Currency Department.

4039. Those are the exchange points; London, 1*s.* $4\frac{1}{16}$*d.*, Calcutta, 1*s.* $3\frac{3}{4}$*d.*?—Yes.

4040. Now, all the rupees which are received by the Indian Gold Standard Office are to be held exclusively to meet the rupee drafts drawn by the London Gold Standard Office?—Yes.

4041. And all gold received under the notification of the Indian Government as to the 1*s.* 4*d.* rate, is also to be sent to the London Gold Standard Office?—Yes.

4042. If the gold standard reserve decreases at any time to what you call apprehension point (that is, I suppose, what we should call danger point), if it showed a likelihood of becoming exhausted, you would infer from that that the rupee currency was redundant?—Yes.

4043. In other words, that there were too many rupees in circulation?—Too many rupees in the exchange market.

4044. And then you think it would be the duty of Government to interfere, to curtail the currency?—I did use those words, but I think it would be better to put it in this way; that before borrowing further to replenish the London Gold Standard fund, Government should obtain gold by selling some of those surplus rupees held in India in the Indian Gold Standard Offices.

4045. In fact, when the danger point was approached, Government would have to do one of two things, either to raise a fresh gold loan, or to reduce the rupee currency?—Yes, to reduce the surplus rupees previously withdrawn from circulation.

4046. Then it is also a part of your scheme that it should be started in the early part of the export season?—That is simply a question of expense.

4047. But you say there is an advantage in starting it then?—For example, take this season; if it had been started in February, not a single sovereign would have been taken out of the London Gold Standard Office.

4048. Not this year, you mean, on account of the famine?—Yes; on account of the demand for rupees during the busy season. It could be started at any time of the year; but if you start it in the slack season there will, of course, be a greater demand for the conversion of rupees into sterling drafts.

4049. That is a matter of detail?—Yes.

4050. Then you also think that the effect of this procedure would not affect the sale of Council Bills?—No. It would facilitate the sale of Council Bills.

4051. You would proceed as at present, except that their price would practically be regulated by the price at the Gold Standard Office?—Yes.

4052. To sum it up in one word, the essential principle of your scheme is that the sterling and rupee currencies should be interchangeable at approximate rates, and that the rupee currency should be made convertible into sterling money in a manner which would prevent the use of gold as currency in India?—Yes.

4053. I am coming to the objections to your scheme presently, but, to have it fully before us, you are opposed to the plan of the Government of India upon the ground that you object to a gold currency in India?—I object to a gold currency in India. Shall I give my reasons now?

4054. No, I will come to that presently. That is your main objection. You object to a gold currency in India?—I object to a gold currency in India.

4055. Now, just let me take you through the criticisms of Sir James Westland upon your scheme. I want to see what your answer is to the criticisms of the Finance Minister in India. The first objection Sir James Westland raises is this: He would prefer that the gold standard office, that is the deposit of gold, should be located in India; you prefer that it should be located in London?—I do.

4056. Now, will you tell us the reasons why you think that your plan is a better plan than Sir James Westland's on that point. I think Sir James Westland and yourself are agreed that in discussing the question it is immaterial whether the fund is held either in England or in India. The question of locality would not affect the working of the scheme. The Government of India seem to be of opinion that it is desirable for other reasons that it should be located in India, and not in London. Now, what is your reason for London?—In the first place I would say that the gold is really required only for settlement of the balances of India's foreign indebtedness, and as London is the one great centre for settlement of international indebtedness, it would be the most convenient spot both for receipt and payment of the gold. Secondly, there must be more or less uncertainty as to the quantity of gold or sterling money required as a conversion fund, and gold or sterling money can always be borrowed in London at short notice, whereas there would be no facilities for prompt replenishment in India. Thirdly, the establishment of the fund in India would withdraw gold from London, whereas its location in the Bank of England would strengthen the great central reserve of the Empire. Fourthly, India is a hoarding country, and if her currency is made convertible on the spot into gold coins, or even into gold bars, and these bars are always exchangeable on the spot into currency, there is a danger that the gold bars and coins will be absorbed into hoards and kept there, instead of rupees bearing extrinsic value. Fifthly, the location of the reserve in India might create a monetary crisis under exceptional circumstances. Although London can obtain gold in a few days' time, both from Paris and Berlin, yet a monetary crisis occurs here now and then, because the gold is not obtainable promptly. India is protected as a rule from these crises by the system of Council wire transfers; but these are not always available, and, looking to the great distance between London and India, the issue of fresh currency should not be delayed until gold can be imported. Sixthly, under ordinary circumstances (*i.e.*, except during or shortly after periods of redundancy), the gold paid by the public into the conversion fund will be for the purchase of new rupees, and part of the gold will, therefore, be used by Government in the purchase of silver for the Mint. As silver can best be bought in London, it is desirable that Government should receive the gold there. If the gold is received in India, and the silver bought there, not only will Government have to buy in a small and unreliable market, but two metals will be sent to India when one only, viz., silver, is wanted. Seventhly, the object of the scheme is to prevent the use of gold as currency in India, and to confine its use in connexion

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with the Indian currency to the settlement of the balances of India's foreign indebtedness; and it is pure waste of time and money to bring gold out to India merely for the purpose of having it sent back. Eighthly, and lastly, when England arranged in 1819 to make her currency convertible into gold without the use of gold coins, she had no outside central market in which to deposit her gold conversion fund with safety, and she had, therefore, to adopt the somewhat clumsy plan of making her currency convertible on the spot into gold bars that could not be used in the local circulation; but when Scotland had the same object in view, she naturally made her currency convertible into drafts on London, and located there her gold conversion fund; and when a similar economical measure was contemplated in Ireland in 1804, Pitt, Fox, Canning, and the other members of the Parliamentary Committee, recommended that the conversion fund should be located in London, and the local currency made convertible into drafts on that fund.

4057. What is your answer to Sir James Westland's observation, that "a gold reserve intended to "support the introduction and maintenance of a gold "standard in any country ought to be kept in the "country, if it is to produce its full effect in the way "of establishing the confidence which is almost indis-"pensable to the success of the measure." He adds that, "if the Indian gold reserve is located in London, "and the public believe that it may at any time "vanish in supplying the requirements of trade or of "the Secretary of State, confidence will hardly be "established, and, in any case, it seems certain that a "reserve of any named amount will produce a greater "effect if it is located in India than if it is 6,000 "miles away." What is your answer to that?—My answer, in the first place, with regard to the distrust is this. It is only people who send out capital to India that are concerned in this matter; the people who work with local capital in India will be very much in the same position as they are at present. The token rupees are all they want. It is those who send out capital to India that should be inspired with confidence, and these people will, in my opinion, have greater confidence if the gold is here in London. Then, with regard to the gold vanishing in supplying the requirements of trade or of the Secretary of State, I would say that there is much greater danger that the gold that Sir James Westland proposes to introduce into circulation in India may vanish, because in addition to supplying the requirements of foreign remittance and the Secretary of State's drafts, the gold would be liable to be used in internal circulation, and to be taken into hoards. Here the gold is reserved for one of the three purposes for which gold is required in connexion with currency. It will be used solely for the purpose of fixing exchange, and will, therefore, be employed in the manner best calculated to inspire confidence in the stability of exchange.

4058. Then his next objection is as to the contraction of the rupee currency. There he considers that the methods and proposals of your scheme do not vary much from his own; but he says "But it "is merely an assumption that the difference between "the number of existing rupees and the number at "which the exchange would rise to 1*s.* 3¾*d.* is so "small that the absorption of five millions or 10 "millions' worth would be enough to bring about the "result. It assuredly would not have been enough "had the scheme been introduced in 1893. It may "be enough now that the volume and activity of "trade have increased so much above the standard of "1893; but, on the other hand, it may not. The "scheme, therefore, would involve the undertaking "of an indefinite liability"?—In the first place, as to the method and principle of the scheme being very much the same as those on which the Government of India's proposals are based, I cannot for a moment admit that. I think they are as different as day and night. In the one case you have arbitrary contraction and inconvertibility, which are diametrically opposed as principles to automatic contraction and convertibility. As far as method goes, my scheme withdraws from circulation rupees from the hands of remitters only, and takes hold of those that would otherwise depress exchange below the convertible rate; whereas the Government scheme destroys those rupees lying in the Treasury balance, which do not affect exchange in the least.

4059. I do not want you to criticise now the Government scheme. I want you, first, to deal with your own scheme. Sir James Westland says of your scheme: "the scheme, therefore, would involve the "undertaking of an indefinite liability." I want your answer to that. Of course that would indirectly raise the whole question of exchanging the hoards of rupees in India for gold. You have no limits to the remittance of rupees in exchange for gold, or to the remittance of gold in exchange for rupees?—I say the same indefiniteness attaches to the Government scheme. I will put it in this way. The so-called indefinite liability is limited to the conversion and withdrawal of only those rupees that automatic machinery shows must be withdrawn to prevent exchange falling below 1*s.* 3¾*d.* Under my scheme all expansions of the currency yield handsome profit. It is contraction only that entails expense, and that contraction is limited. Besides, this loss will be recovered in whole or part when the redundancy ends and fresh currency is required. Now, may I not compare that with the Government scheme? I was going on to say, that the Government plan necessitates the withdrawal and conversion of an equal number of rupees, and in addition an amount of rupees equivalent to the gold coins introduced into circulation or into the Government balance.

4060. Is not that saying, in other words, that both schemes do involve an indefinite liability?—Of course it cannot be an indefinite liability. In the first place, there is a certain amount of rupees in circulation; it must be limited by that. Then, in the second place, the liability under my scheme is limited to the amount of the rupees in the exchange market that can be spared from the exchange market, which I think cannot be characterised as an indefinite liability. There is no such limit under the Government plan, because gold coins will displace rupees in hoards and the internal circulation.

4061. Then Sir James Westland says that your plan "assumes that the redundancy has already been "removed, and that the circulation has reached the "stage in which, at the season when trade is inactive, "the rupee tends to fall below 1*s.* 3¾*d.*, and at the "season when it is active it tends to rise above 1*s.* 4*d.*"?—My plan does not assume that. My plan includes the most economical method of curtailing the currency—an automatic method which will only take away those rupees which are lowering exchange. That is the great economy of my plan.

4062. Then Sir James Westland says that your scheme "accordingly becomes practicable only when "the condition of the circulation has already reached "the point where the redundancy in the inactive "season is reduced to a small amount." That you do not agree with?—When I started my plan in 1892 I put it in this way. My proposal then was not to start with convertibility at 1*s.* 4*d.*, not because Government would lose by maintaining that rate, but because it would disturb trade. My proposal then was to commence convertibility at the current rate of exchange, or thereabouts, and to rise by gradual steps, in a way that would not create speculation, to the par rate, whichever par rate was selected. I say now that, if it is the opinion of the Government of India that convertibility at 1*s.* 4*d.* would be too costly, rather than dispense with convertibility let them start convertibility at a lower rate.

4063. Then the Government lay stress upon another point, namely, the Government control, to which they attach great importance, and which would be wanting in your scheme?—It is difficult to under-

stand that objection, because, while Sir James Westland, in paragraph 8 of his Minute, advocates Government control of contraction, he deprecates, in paragraph 10, Government control of expansion. He is, moreover, under a misapprehension in supposing that Government will have any control of the volume of the currency under my scheme.

4064. If I may say so, your point is that your scheme is automatic without the intervention of the Government?—Without the intervention of the Government in any shape or form.

4065. We had evidence before us, and I suppose you would concur in that, that is a desirable result to obtain, that there should be as little intervention as possible?—Certainly.

4066. Sir James Westland appears to attach great importance to intervention. He says, "There is also an "important feature which does not seem to have been "sufficiently considered. It is that the plan we have "to adopt will not be applied to a market in which "the Government (who are the proprietors and "workers of the conversion fund) can afford to stand "aside and let the operations go on only as between "public and public. On the contrary, the problem "to be faced is how to maintain the exchange value "in the face of the Secretary of State's drawings of "16 or 17 millions a year." Now, if I take you aright, you say that the proper course is to disregard the Government position altogether; let the operation be exclusively automatic upon the demand and supply for exchange purposes for the whole trade of India?—Yes.

4067. Now another objection is taken, that your plan is not adapted to the preliminary stage of establishing a gold standard. Will you tell us what was the plan adopted by Sir Robert Peel in 1819 to establish a gold standard? You say, "Sir James "Westland says that my plan is not adapted to the "preliminary stage of establishing a gold standard. "Is he aware that the plan is the same in principle, "and, apart from unimportant details, the same in "method as that devised by Ricardo, and adopted by "Sir Robert Peel in 1819, in order to pave the way "for the resumption of cash payments in 1823?" Then you go on to give this extract from the Report of the Parliamentary Committee that recommended the establishment in England, on a temporary footing, of a gold standard without a gold currency. "The "chief recommendation of the plan, in the opinion of "the Committee is, that it will enable the Bank to pay "their notes in gold at a much earlier period than "they could pay them in the present gold currency. "There cannot, while the plan is acted upon, be any "demand for gold for the purpose of internal circula"tion, and whatever quantity it would be necessary "to provide, with the view of replacing the small notes "at present in circulation, may therefore be dispensed "with. That portion of capital which must otherwise "be applied to the purchase of an expensive and un"productive instrument of commerce will be left "available for the employment of productive labour." Now do you consider that that quotation from Sir Robert Peel, and from that Report of the Parliamentary Committee, are, in your judgment, an answer to Sir James Westland's observation that the plan is not adapted to the preliminary stage of establishing a gold standard?—I do.

4068. In fact, it was adopted both on the advice of Sir Robert Peel and on the recommendation of this Parliamentary Committee?—Certainly. It was adopted for a period of three or four years as a stepping stone to a gold currency.

4069. Is there any other remark you want to make now, in reply to Sir James Westland, before I come to the Government scheme?—I think I have met all his objections.

4070. Now, I will ask you to criticise the Government of India's scheme upon which, I think, you have given no evidence at present. First of all, what do you consider the weakest part, if I may use the phrase, of the proposals of the Government of India?—The weakest point is, perhaps, the admission in paragraph 23, "That it is assumed throughout that "the balance of trade will continue favourable;" but the great mistake underlying the Government plan, and all other proposals to establish a gold currency in India, without borrowing, in the first place, a large stock of gold, lies, it appears to me, in under-estimating the demand for gold likely to arise for hoarding and for use in the internal circulation. The Government proposals are based on the idea that the gold coins which they hope to force the exchange banks by monetary pressure to import, will remain as a margin of circulation available for export at any time. No reasons are given for this assumption, and, so far as the public know, no attempt has been made to obtain the opinion of those best able to judge. The point is a most important one, and I submit that the Committee should have been furnished with reasons and evidence in support of this conclusion, especially as it is opposed to the opinions expressed by the leading Chambers of Commerce and papers in India, and also to the evidence taken by the last Commission that dealt with the question.

4071. To what Commission do you refer?—I refer to the Commission appointed by the Government of India in February 1866 to obtain information regarding the operations of the Paper Currency Act of 1861, and the advantages of introducing a legal tender gold coinage into India.

4072. You said that great financial and commercial authorities in India are opposed to the Government proposals?—That is so.

4073. Do you know what is the view of the Madras Chamber of Commerce upon this very point? I will read you an extract from their letter:—"The attention "of this Chamber has been closely directed to the "recent currency proposals of the Government of "India and to what is known as the 'Lindsay Scheme' "for establishing a gold standard, and I have now "the honour to lay before the Government of India a "brief statement of the views of this Chamber." Then, after various recitals, they say:—"Mr. Lind"say's scheme is, in the opinion of this Chamber, "sound, and would work. But to make it work easily "confidence in its stability is essential, and to ensure "this, the Chamber does not consider that a gold "reserve of 5 millions, to be kept in the Bank of "England and drawn against, is sufficient. The "Chamber would suggest that the reserve should be "at least 10 millions; but it does not see why the "expense in connexion with the reserve should not "be reduced by holding part of it in Consols on which "gold could always be borrowed cheaply in an "emergency, though the Chamber does not believe the "necessity would arise." Now, I am not going through the opinion of the Chamber of Commerce, but have you in your mind the opinion of the Madras Chamber of Commerce, and of other commercial authorities in India, when you tell us that the commercial community in India do not approve of a gold currency?—Yes. The letters received by the Committee from the Bengal and Bombay Chambers of Commerce also deprecate any attempt to establish a gold currency.

4074. That, you think, is the essential point of divergence between the two schemes?—Yes.

4075. Now you say that the expense of convertibility might be diminished by forcing the Natives, by means of a prohibitive duty on silver, to revert to the old practice of melting rupees for the manufacture of silver ornaments. Do you recommend the levying of such a duty?—I think it may be necessary, if it is found that Native State coins are being coined illicitly to any large extent.

4076. How would that be affected by the large increase in the net imports of silver during the 12 months ending the 31st March last?—I should like to call attention to the large increase in the net imports of silver during the 12 months ending 31st March 1898. This was a time of famine, yet th net imports of silver increased from an average

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of 6 crores 14 lakhs for the previous three years to 8 crores 43 lakhs. As the British mints are closed, this silver must have been bought, either for coinage in the Native mints, for hoarding, for the manufacture of ornaments, or for illicit coinage. The coinage in the Native mints we know, from figures published by the Government of India, to have been small of late years, and to judge from the experience of past famine years, little can have been used for ornaments; it is also unlikely that much hoarding took place during a period of famine, and we are driven to the conclusion that in all probability the silver was largely used for illicit coinage.

4077. That, of course, is your opinion; you give us no fact in support of it. Mr. O'Conor and the authorities from India are of opinion that there has been practically no increase of illicit coinage. There is always in every country a certain average of illicit coinage, in India it is comparatively small?—I do not say an illicit coinage of Government rupees, but it appears very probable to me that there has been great illicit coinage of Native State coins, and these Native State coins circulate on the large tracts of territory that border these Native States all through India, and displace British rupees, thereby creating a redundancy of the British rupee currency. I may mention that as the result of the famine of 1877–78, 3 crores 30 lakhs rupees worth of silver ornaments were sent to the mints to be coined. In 1897 the only part of their silver ornaments that Natives were able to turn into money were the coin parts of the ornaments. This was done, it is known, to a considerable extent, and looking to the extreme severity of the famine it is unlikely that any large proportion of the 8 crores 43 lakhs of silver imported was made into ornaments.

4078. What is the conclusion you draw from that with reference to the Government of India's scheme?—The conclusion I draw from that is that it may be found necessary to impose a prohibitive duty on silver imports, if it is found that native state coins are being coined illicitly to any large extent and displacing Government of India coins.

4079. Are you using that as an argument against gold currency?—No, I am pointing out that there is a possibility, I do not say that it is necessary, but the Committee should bear in mind that it may be necessary, in establishing either a gold standard or a gold currency, to impose a prohibitive duty on silver imports.

4080. As I understand, you consider that such a gold currency as the Government of India propose would involve hoarding?—Yes, it would encourage hoarding.

4081. And you think that these sovereigns would be withdrawn from circulation?—Yes.

4082. And be hoarded?—Yes. The Commission of 1866, which took evidence upon these points, refer to that matter. The evidence they took and the conclusions they adopted pointed to that.

4083. Then I understand, still dealing with this gold currency, you think it would compete unsatisfactorily with the rupee; in other words, that with a handy gold coin, say a sovereign of full metallic value, there would be greater danger than in keeping up, so to speak, the token currency?—Yes, I believe the handy gold coin would be used largely in the internal circulation, and would also go largely into hoards, and displace rupees at present hoarded.

4084. I can understand the hoarding, but how would it be used largely in the internal circulation?—One reason why gold coins should be largely used in India is this, that the natives of India dislike paper money. They have often very large payments to make, but they dislike the use of paper money. For that reason the probability is that in India the circulation of gold coins would be larger than in other countries.

4085. Much larger than in Egypt?—Much larger in proportion, because the Egyptians, I think, to a certain extent, use paper money.

4086. We were told yesterday that they used none at all?—I have no reliable information about Egypt, but the position there should not be taken as a guide to what will happen in India. In Russia, for instance, the people prefer paper money, other countries prefer coins; but in India people dislike paper money. For that reason the probability is that they will use gold coins largely.

4087. Do you think that the use of paper money would be curtailed by a gold currency?—I think so.

4088. Do you think that the establishment of a gold currency would disturb the money market every season?—Yes, the initial demand would be very heavy, and there would be further large demands each season of active export trade.

4089. Now, have you any other criticisms to make upon the Government of India's scheme?—I object to the stringency it will create. Exchange is to be raised and kept up by stringency. Gold is to be forced into circulation by monetary pressure. Confidence is to be created by compulsion, instead of by convertibility. I think that any scheme that relies for success on the condition of stringency is condemned by the experience of the last two years. Besides, there can be no confidence in exchange, and no flow of capital to India, until the rupee exchange is definitely fixed by convertibility.

4090. Would a gold currency, acting automatically, produce stringency?—The proposal is to force gold into circulation by melting down rupees.

4091. Let us take that out for the moment. Supposing no forcing, but leaving it entirely to its ordinary operation. Take this state of things: The Government of India leave the currency alone, neither add to it, nor take from it, but in addition to that they make gold a legal tender, say, at the rate of 15 rupees to the sovereign. How would that affect the stringency of the money market?—That is very much the position that we have at the present moment. There will be no confidence in exchange with no limit to a falling exchange, nothing to check a fall.

4092. That is your answer?—That is my answer. Capital would not go out to India under those circumstances.

4093. You think there would be no flow to, and reflow from, India of gold under such circumstances?—Where is the gold to come from?

4094. That is another point, but, assuming your own scheme, namely, that the balance of exchange, which practically is always payable in gold, sooner or later, is, as you say, a small balance, how would that be affected by the introduction of a gold currency? You think it would retard it?—Am I to understand that my scheme will be in operation?

4095. No, I am away from your scheme for the moment. When I asked you your objections to the Government scheme you commenced by saying that you objected because they were going to create stringency by forcing gold into circulation by melting down rupees. Now I say, suppose they do not melt down rupees?—There will still be the stringency that exists at present.

4096. I want you to explain that to the Committee?—At present the stringency has been caused by a want of confidence in the stability of exchange. People will not send out capital, because they are afraid exchange will fall. People will not send out gold.

4097. Are you using the word "stringency" as applied to capital, not currency?—The stringency which at present exists in India is directly owing, not so much to want of currency, as to want of loanable capital.

4098. Then your opinion is not that there is stringency in the money market?—Were there any great scarcity of rupees you would find 4 anna or 8 anna pieces being used for rupees, and of that there is no trace or sign whatever.

4099. Your opinion, therefore, is that, so far as the existing rupee currency is concerned, there is no

stringency whatever?—There is no scarcity of the circulating medium apart from the scarcity of capital. Were there such scarcity you would find 8 anna and 4 anna pieces used for rupees, and of that there has been no sign whatever from first to last. What we have to deal with is scarcity of loanable capital, and if more loanable capital had been sent out this busy season, more rupees would have been required, because exchange was at specie import point.

4100. Now one word upon the expense of the two schemes. Will you give us your views as to the cost to India of each scheme?—The indefiniteness of liability is certainly greater in the Government scheme than my own, because the indefinite liability is limited to the conversion and withdrawal of rupees. My scheme only withdraws those that would otherwise, if left in circulation, be tendered for bills at a lower rate than 1*s.* 3¾*d.*, whereas the Government plan necessitates the withdrawal and conversion of an equal number of rupees, and, in addition, a number of rupees, that would be replaced by gold coins introduced into circulation or into hoards, or into the Government balances.

4101. In other words, you are there putting this point, that the cost of your scheme is only the interest on the sterling loan?—The cost of my scheme is only the interest on the sterling loan.

4102. Whether it be 5,000,000*l.* or 10,000,000*l.* that is the cost, the interest?—Yes, and as a set-off against this interest charge there is a profit of 2 per cent. on the re-sale at 1*s.* 4$\frac{1}{16}$*d.* of the rupees purchased at 1*s.* 3¾*d.*, also the profit on all fresh additions to the currency.

4103. Now, what is the cost of their scheme? Borrowing in London at, say, 3 per cent., the interest on the 5,000,000*l.* would be 150,000*l.*, and on the 10,000,000*l.*, would be 300,000*l.* a year?—Yes; in the first place the amount of gold required, that has to be either borrowed or forced into circulation by monetary stringency, would be much greater.

4104. Would not there be two items in the cost of the Government of India's scheme—the interest on the gold, which you say is to be forced into circulation, and the cost of melting down rupees?—Quite so.

4105. I want to be quite clear about this. Your scheme would simply mean interest on the gold; their scheme means the interest on the gold plus the cost of melting down rupees?—Yes; in their case there is no profit of 2 per cent., no recovery of the loss incurred in melting rupees, no profit on fresh additions to the currency; and, in addition to that, more gold would be required under the Government scheme.

4106. That is another point. You say that less gold would do for your scheme than for theirs?—Yes.

4107. In other words, you think a good deal of gold would be absorbed for hoarding and other purposes if a gold currency were introduced into India, whereas yours would be confined exclusively for exchange purposes?—Yes.

4108. (*Mr. Campbell.*) You say that the demand under your scheme, to convert rupees into sterling, would only be the demand for rupees for exchange purposes?—For exchange purposes.

4109. But any man who thought gold was cheap at 15 rupees to the sovereign might take advantage of that scheme, whether he wanted to make a remittance to India or not?—But under my scheme he would not be able to take advantage of it at 15 rupees to the sovereign; he would require to pay 15 rupees 4 annas.

4110. Take any figure you like. Suppose a man thought gold was cheap at 15 rupees 4 annas, he could take advantage of your scheme whether he wanted to make a remittance to India or not?—That is the point. There is nothing in the scheme to cause exceptional remittances for the purchase of gold. If he took advantage of the scheme he would be paying the highest possible price for gold.

4111. Might circumstances arise that would make that appear to be a cheap price for gold all the same?—I cannot conceive any such circumstances.

4112. Then you say that one objection to the Government scheme is that it depends upon stringency for its operation. Would there be no risk under your own scheme of a stringent money market resulting from it?—None whatever, because the two currencies, the rupee currency and sterling money would be linked together, and made interchangeable at small expense. Money would, therefore, as we find in the case of gold currency countries, flow readily from one country to another. There could be no great stringency in India at any time.

4113. But we are comparing a silver country like India and a gold country like England?—We are dealing with a silver currency, but that silver currency is made convertible into sterling money, and sterling money is made convertible into the rupee currency, so that the two are interchangeable at a trifling cost.

4114. Suppose a diminished balance of trade in favour of India, which might make it an object for people to secure the Government rate of exchange of 1*s.* 3¾*d.*, would not that very fact indicate a disinclination to operate in the other direction; that is to say, to send money out at 1*s.* 4$\frac{1}{16}$*d.*?—If exchange dropped to 1*s.* 3¾*d.* under my scheme it would be a sign that money was over-abundant in India, and there would be precisely the same remedy that operates and corrects any such evil in gold currency countries. When exchange dropped to 1*s.* 3¾*d.*, suppose we had a gold currency in India, the exchange banks would continue drawing, but they would take the gold coins and remit them to London. That would curtail the currency, and in that way re-adjust matters. In the same way there would be an equal curtailment and adjustment of the currency under my scheme.

4115. I am talking of exchange falling to 1*s.* 3¾*d.*, owing to a general desire to remit money home. Would not that general desire indicate a disinclination to remit money out at 1*s.* 4$\frac{1}{16}$*d.*? That is to say, that if the current went in the direction of remitting money home at 1*s.* 3¾*d.* it would only be stringency that would cause it to flow back again at 1*s.* 4$\frac{1}{16}$*d.*?—It need not be stringency; it need only be a higher level of interest in India. London capitalists could buy bills at 1*s.* 3¾*d.* without the least fear of loss in exchange on the return of the money. There would be a prospect of exchange profit, and a slightly higher rate of interest in India would attract capital from England. There need be no stringency.

4116. Then you say the cost under the Government scheme is the interest on a sterling loan plus the loss in melting rupees?—Yes.

4117. But in your scheme you contemplate, under certain circumstances, melting rupees also?—Yes, but the difference is this: under my scheme I contemplate the re-purchase of that silver. The Government scheme does not do so; it contemplates the replacing of the rupees melted by gold coins. I contemplate the replacement of the rupees melted by fresh rupees when a fresh demand for currency arises.

4118. That is if the public come in to take it?—It all depends on the public demand; but with a developing country such as India, you may rely that more and more currency will be required from time to time.

4119. (*Mr. Le Marchant.*) I think you stated that under your plan the effect of rupees being withdrawn from circulation by being paid into the Gold Standard Office in India against sterling drafts granted on London would be that the withdrawal of the actual rupees would tend to depress rupee prices and maintain exchange?—Yes.

4120. And you compared that to the withdrawal of rupees when Council bills were suspended, which was perhaps rather a withholding of rupees?—Yes.

4121. But would not much the same persons be concerned in either case? For instance, when Council bills are sold, the funds released by the Government

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pass into the hands of the banking community, who are the persons who in your scheme would be in relation with Government, paying in rupees to the Gold Standard Office?—Let me illustrate it again by considering exactly what would happen under a gold currency in India. The Secretary of State would go on selling his Council drafts. The exchange banks would buy those Council drafts, and with these Council drafts they would secure gold coins in India. Were exchange so low as is presumed, the exchange banks would send these gold coins to London, and so far the two positions would be identical. But other operators might at the same time be sending gold coins; when exchange is low other operators in the exchange market would be remitting gold coins to London.

4122. Would not that relieve the Government of that degree of strain? The public would so far be afforded a means of remittance without having recourse to the Gold Standard Office?—Yes, but then there comes this question: The withdrawal of gold coins merely by the stoppage of Council bills might or might not be sufficient to rectify exchange. A certain withdrawal of currency is necessary to rectify exchange. If you merely stop Council bills it might or might not be sufficient; but if you have a scheme of this kind it withdraws from the market not only the Government rupees, but every single rupee that would otherwise tend to depress exchange below your conversion rate.

4123. Would they not go through the same hands? Exchange passes through the hands of the exchange banks and banking circles?—They might or might not, but we have the experience of what happened in 1893. Council bills were stopped then, the exchange banks did not obtain their usual share of rupees from Council bills, but still exchange dropped below 1*s.* 3¾*d.* Why? Because other rupees were pressing on the exchange market and depressing exchange. Under a scheme of this kind that could not occur.

4124. Under your scheme it would be an indefinite and unlimited amount that would be so withdrawn, and, therefore, to that extent there is a difference but would not the withdrawal be from the same hands as when the sale of Council bills was suspended, taking effect through the exchange banks?—But you give the experience of 1893 the go-by. We found that in 1893 the mere stoppage of Council bills was not sufficient. Under a scheme such as mine you have adequate withdrawal of rupees; you have automatic machinery that adjusts the withdrawal of rupees to the extent actually required.

4125. I wish to ascertain whether the difference is in the extent of the withdrawal, or the persons from whom the rupees would be taken?—As a rule, in my opinion, whether you have a gold currency in operation, or whether you have a scheme such as mine in operation, all these operations will go through the exchange banks.

4126. So that, practically, the hands from whom the rupees would be withdrawn or withheld would be the same?—Yes, as a rule, the hands would be the same, but the quantities would not necessarily be the same.

4127. It is a difference of quantity?—In one case you have an automatic adjustment of the quantity; in the other case you have not.

4128. Still, is it quantity that is the essential difference?—I think it is essential to the keeping up of exchange. If there are more rupees in the market seeking remittance than is consistent with the exchange rate of, say, 1*s.* 3¾*d.*, unless these excess rupees are taken out of the hands of the remitters in some way or other, exchange will drop.

4129. Would suspending the sales of Council bills to this further extent have been effective? It would have withdrawn a larger quantity?—It was entirely suspended, and that was not found sufficient, in 1893. Another important point is, of course, that in the one case you have confidence in the stability of exchange; in the other there is the fear that there will be a drop.

4130. But apart from the question of confidence it is a question of the quantity of withdrawal?—In the one case it is a question of automatic machinery to withdraw the precise quantity necessary; in the other case it is the dealing with one individual, you may say. In the one case you withdraw rupees from one remitter only; in the other case you withdraw rupees from all remitters who desire to remit below the convertible rate. The withdrawal of a larger quantity from one remitter might not suffice.

4131. I think you mentioned the balances of the presidency banks as one measure of the limit of possible demand upon the Gold Standard Office in London?—Yes.

4132. In what sense do you use the word "balances?" Do you mean the balances that their customer can draw for upon them or the cash balances that they have?—The cash balances or cash reserves of the presidency banks.

4133. Are those balances materially larger than they were in 1892–93?—Of late the cash balances of the presidency banks have been, I may say, unprecedently small compared with their liabilities.

4134. Then if they are low in times when trade is adverse, would not the amount remaining to be drawn be comparatively small; the amount of cash that they would have in adverse times would be at a very low limit?—Do you mean at times of unfavourable exchange?

4135. Yes?—Of course, at a time of unfavourable exchange the presidency bank balances tend to increase.

4136. Did they do so when there was this withdrawal of capital recently?—Exchange was on the whole favourable.

4137. Exchange was high?—Exchange was high.

4138. But did they at that time increase or not? Suppose, for instance, there is a tendency to withdraw capital for any reason, what effect would that have?—That tends to curtail the presidency bank balances.

4139. As these withdrawals would not be necessarily all at one time but might run over several years, do you think it possible that the demand on the London Gold Standard Office might accumulate for two or three years in succession?—During that period there will be the orthodox remedy for any unfavourable balance of indebtedness in operation. Our experience is that a period of unfavourable indebtedness cannot be very prolonged under a gold standard or under a scheme such as mine.

4140. I observe from the returns of the United States Treasury that the withdrawal of gold would appear to have gone on for two years in succession after 1893?—With regard to that I have to say that the currency of the United States was altogether in a different position, and under different conditions from those I lay down for the Indian currency.

4141. But they were on a gold basis; there would have been just the same basis for remittances during crop time?—I stipulate that no additions shall be made to the Indian currency unless an equivalent sum in gold is deposited in London. In the United States large additions were made against dollars coined under the Sherman Act.

4142. Did that go on after 1893?—No, not after 1893, but by that time the currency had been enlarged greatly. In 1891, 1892, and 1893, large additions were made to the currency, and that accounted for the large withdrawals of gold later on. If all that paper money had been issued against deposits of gold, as I propose, there would have been ample gold to meet the demand for export. The cases do not appear to be analogous.

4143. You are satisfied that there is no similar redundancy in India at the present time?—There is every sign of extreme stringency; no redundancy.

4144. As to the comparison of cost between your plan and the plan of the Government of India. I think you were saying that in the Indian Government plan there would be the cost of the gold imported,

exactly as in your scheme there would be the cost of the gold borrowed for the conversion fund?—Yes.

4145. Except so far as Government borrows to make up the 40 per cent. loss on melted rupees, would not the gold imported be imported by, and at the expense of, the public?—Oh, yes, you have a choice of the two; but then the gold that is imported, as it were, without cost to the Government is imported, in my opinion, at great expense to the community. It comes only in small quantities and under extreme monetary pressure, which strangles trade and destroys credit. We have found by experience that the exchange banks will not export additional capital under these conditions unless they are assured of a return of the money without loss. The Government scheme affords no such assurance, and I do not think there could be any large imports of gold under these circumstances.

4146. But if the public did import gold, there would be so far a saving of expense to the Government?—Yes, if that took place; but it can only take place under stringency, and it would be better if Government went to the expense of borrowing an enormous stock of gold, say, 50 millions; then of course all would be well.

4147. Then of course there would be the expense of the borrowing?—There would be the expense of the borrowing, but I think the expense of the borrowing is nothing compared to the injury done to the country generally by this severe stringency.

4148. You seemed to refer to the possibility of a very large loan. Do you think that the amount of borrowing should be limited only by the consideration of what the interest on it would cost as compared with the loss to Government through a low exchange?—I think the Government will not incur any expense in fixing the exchange at 1*s.* 4*d.* under my scheme, no expense, I mean, beyond the expense of raising the gold fund of, say, 10 millions. I say that for this reason: If anything should occur to create a demand for sterling remittances to an extent that would exhaust that fund, then, in the absence of that fund, exchange must have fallen very heavily. I hold that it is clearly proved by the figures placed before the Committee by Mr. Arthur, that the loss the Government will incur by a drop in exchange, that is to say, the loss on Council bills and the loss upon the pay of the British soldiers, and the loss on exchange compensation allowance, will be very much greater than any additional interest they might have to incur for additional borrowing.

4149. And you would extend that to any sum it might be necessary to borrow beyond the 10 millions?—I think the same principle must necessarily be held good. I believe it could be worked out as a mathematical certainty, although I do not think that I could do it. If the Government of India had no gold debt, if they did not pay their soldiers in sterling, if they did not pay exchange compensation allowances, then there would be no such loss, but seeing that the Government have these large sterling payments to make, it seems to me proved by the figures put before the Committee by Mr. Arthur, that the loss they incur by a drop in exchange must always exceed greatly the loss they would incur on a conversion fund.

4150. And that reason would hold good if the borrowing were to extend to much larger figures?—The saving would be all the greater. The more they borrow the greater the saving, because in the absence of that conversion fund exchange would drop. The greater the sterling fund necessary the greater the saving.

4151. And that would be a reason for contemplating a very large sterling fund with confidence?—Yes, that is how it appears to me.

4152. (*Mr. Hambro.*) Your idea is to attract capital into the country when money is dear?—The rates of interest will attract capital.

4153. That is one of the hopes or intentions, is it not, that it may attract capital into the country when money is dear?—Yes, if there is confidence in the return of the money without loss, and if rates of interest offer profit to the London capitalist.

4154. Do rates of interest generally rule high for a year or six months?—As a rule for six months.

4155. A man would be no better off under those circumstances, if he lent money at 2 per cent. in London, or at 6 per cent. in India, because the exchange would destroy the difference. If he got 2 per cent. in London, or if he got 6 per cent. in India, it would be exactly the same to him on a six months' loan?—Yes.

4156. So that the rate would have to go very high before you would attract loans for short periods?—Yes; but I contemplate a large remittance of money to India for the purchase of permanent securities, and the purchase of these permanent securities would release money now invested in those securities, and that money would go into the short loan market. Besides, the loss in exchange you estimate is the greatest loss possible. If the London capitalist remitted at 1*s.* $3\frac{3}{4}d.$ and got back his capital in six months at 1*s.* $4\frac{1}{16}d.$, he would make an exchange profit of 4 per cent. per annum in addition to the interest gained. The interest profit would be certain; exchange might yield a profit or loss.

4157. You fear that having the gold itself in India might be an attraction for those who hoard rupees to exchange them into the more portable metal gold?—Yes, I distinctly do.

4158. Do you think when you show the native who is a large hoarder of rupees that you are afraid to bring gold into the country in case he should be tempted, that you will not tempt him even more by that very fear?—I do not think the natives will think very much about this scheme. All it does is this: The natives see that rupees are now convertible into sterling drafts at varying rates——

4159. I am not talking of the small native hoarder?—The small or the big native hoarder. He sees that rupees are convertible into sterling drafts at varying rates, and he learns that by this arrangement the Government have made those sterling drafts obtainable from the banks in future at rates varying between 1*s.* $3\frac{3}{4}d.$ and 1*s.* $4\frac{1}{16}d.$

4160. You do not think there is any fear of the great hoarders coming forward and absorbing most of the gold?—I do not think so. The hoarder always looks forward to using the hoard in the future, and he prefers to hoard current coin. Were the gold coins made legal tender, then I might fear the large absorption of gold in that way, but not under a scheme such as mine. I think I have proof of that in what happens at present. Of late the hoarder could buy gold upon cheaper terms than he could under my scheme, and he has not done so to any appreciable extent. Exchange was fixed in bimetallic times, but gold was not hoarded then to any inconvenient extent.

4161. (*Mr. Holland.*) Do I understand that you deny that there is any stringency of rupees? You say there is a stringency of loanable capital, but no stringency of rupees?—I say there is no sign of a mere scarcity of currency, because, when there is a scarcity of currency, 8-anna pieces would be used instead of rupees, and there is no sign of that now. But I wish to say this, that I think the very fact of there being great stringency at present, shows that additional currency is necessary. It shows that additional capital is necessary, and if additional capital is brought out, at top-rates of exchange, more rupees would be required.

4162. If there is no stringency of rupees, do you wish the Committee to believe that there have latterly been as many rupees in the coffers of the banks as usual?—No, there has been a scarcity of rupees in the money market.

4163. If there were a gold currency, you think the demand would be all the larger, because of the dislike of the native to paper money. Can you tell us the ground of that dislike? Is it because they distrust the paper money?—It is very difficult to tell. I think the dislike arises more from habit and taste.

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Compare the practice in Scotland with England, or Russia with Germany; no one can explain the difference of taste.

4164. We had a witness, yesterday, who strongly advocated the use of Bank of England notes in place of gold. What would be your view of a step of that kind?—My view would be this: that there would not be the same danger in using the Bank of England note, because the Bank of England note would not go into hoards; but then the Bank of England note would fluctuate relatively to the Indian note unless both were convertible into sterling at the same rate.

4165. Would it not economise the use of gold, if both gold and Bank of England notes were made a legal tender; that was the suggestion?—If both gold and Bank of England notes were made legal tender, the Bank of England notes would not be touched.

4166. (*Chairman.*) Will you explain why you say that?—The natives would use the gold coin, and would not use the Bank of England notes.

4167. Would the banks use them?—The banks naturally use the currency that is used in the market. I do not see how the banks could hold any large amount of Bank of England notes. The balances of the exchange banks are held by the presidency banks. As a rule, the aggregate would be a large amount, but every now and then the balance of each exchange bank drops to a low sum.

4168. (*Mr. Holland.*) Would it not be more handy and economical for remittance purposes?—You mean handier than gold. I do not see how they are to be kept in circulation. I presume an exchange bank would take them to Calcutta, and try to sell them at a profit to people who were remitting. If they did not sell them at a profit, they would form part of its balance. Am I to understand that these Bank of England notes are to be made legal tender in India?

4169. Yes, in addition to gold?—Then the exchange bank whose balances where short would place these notes in the presidency banks, and the question is, what the presidency banks would do with them.

4170. (*Sir F. Mowatt.*) You mean as security for loans?—As a deposit on current account. The question is what the presidency banks would do with them. I, myself, should be inclined to hold for a premium. There would be two different currencies: there would be the Bank of England note, and the Indian currency note. The Indian currency note not being useable for remittance home, would circulate in the market on a different level altogether.

4171. (*Mr. Holland.*) We had a witness also who said with reference to the margin between buying and selling under your scheme, 1*s.* $3\frac{3}{4}$*d.* and 1*s.* $4\frac{1}{16}$*d.*, that if a wider margin were resorted to, it would be better, say, 1*s.* $3\frac{1}{2}$*d.* and 1*s.* $4\frac{1}{16}$*d.*, instead of 1*s.* $3\frac{3}{4}$*d.* and 1*s.* $4\frac{1}{16}$*d.*?—I am altogether opposed to increasing the margin, because, as was pointed out just now, with the present margin there is a danger of capital not going out for the short loan market, when there is a prospect of incurring the extreme loss in exchange, and if you increase the margin, then you increase the danger of stringency.

4172. Do you think it would strengthen the chance of your scheme if there were a guarantee of the Imperial Government behind the guarantee of the Indian Government? — Of course, anything that would give greater confidence is desirable, but, in my opinion, capitalists in London, Berlin, and Paris, will have absolute confidence in the guarantee of the Government of India.

4173. (*Chairman.*) In other words, your proposal is entirely confined to exchange purposes. You do not propose to interfere with the internal currency of India?—I would leave it entirely as it is now.

4174. Silver is now an unlimited tender—that you leave untouched?—Yes.

4175. And you propose to introduce no gold coin into India?—No. It is taking, if you like, the first step towards a gold currency.

4176. (*Sir A. Dent.*) I should like to ask you a question about Council bills, which is possibly rather outside our inquiry to-day, but, I think, some members of the Committee would be very glad to have your opinion upon it. I understand that at present the only method that the Government of India use to lay down funds in London is that of the Secretary of State drawing bills on India, and the question in my mind is whether it is not possible to avoid that publicity in some way by the Government of India also having the power to buy bills on London through Bombay and Calcutta on the banks or other bills that they think good enough security. I am aware that the question of the security of those bills would be raised, but it is done I know in the Colonies. The Government remittances are sent home to meet the interest due from the Colonies through the banks. Is it not possible, therefore, for remittances to be partly made through the Eastern banks in some way from India to London?—My opinion on that point is this: I think that under an inconvertible currency system, it is a mistake to sell bills weekly by public tender. To illustrate that, I would take one of those very fluctuating currencies, such as the currency of Brazil, which has a gold debt. If the Brazilian Government raised their sterling funds in the way the Government of India does by the weekly sale of Council bills, to what level would the Brazilian exchange go? On the other hand, as long as exchange is fixed by convertibility, I think it matters little how Council bills are sold, whether on the present system, or on any other system. With regard to the suggestion that has been very often made in India that the Presidency banks should be empowered by the Government of India from time to time to purchase sterling bills, either mercantile or sterling bank bills on London, as a sort of substitute for the present system of sale, or as supplementary to the present system of sale, I myself decidedly think that were the currency of India to remain on an inconvertible footing, that change would be very desirable.

4177. These bills might sometimes be taken by the Indian Government at a long usance, 30, 60, or 90 days. That would assist in laying down funds in London would it not?—I have not the least doubt, that if the Presidency banks were given a small commission, they would be happy to take all the responsibility, and would be quite prepared to purchase long currency bills, which are, of course, obtainable at a more profitable rate than ordinary bills and telegraphic transfers. But there is the question of competition with the exchange banks. I hope, of course, that the currency of India will be put without delay on a convertible footing in some form or other. When once that is done, I think it matters little how Council bills are sold.

4178. It might be a convenience, I should think, if it were done in that way; there would not always be competition?—There would not always be competition, but I am afraid the exchange banks would fear competition if that suggestion were adopted.

4179. The Government of India might, of course, hesitate to take a bill of a Bombay branch upon its head office; that would be practically a promissory note; but that might be got over by their taking drafts on some of the leading London banks?—I do not think, in a case of that kind, it would be advisable for Government to exercise discretion, and take the responsibility of selecting bills. I think that should be left to banking agency. And you have the Presidency banks, who are the agents of the Government in almost all financial operations; you could easily obtain their assistance, and they, I am sure, would be prepared to take the full responsibility in consideration of a small commission.

4180. You would not propose that the Government of India should send their broker into the market of Bombay or Calcutta to get what bills he thought fit?—I should think that is a responsibility which the Government would not like to undertake, and should not undertake.

4181. (*Sir C. Crosthwaite.*) You expressed the opinion that there has been illicit coinage during the last years?—I am very much afraid from the state of our exchanges with the native States, that there has been illicit coinage of native State coins, and that these native State coins have displaced British coins on the borders of the native States which, of course, are an immense tract of territory.

4182. Are the native coins circulating at par with our coins?—Oh no, the exchange of the native States varies much.

4183. Where the native mint has not been closed to silver the native coins will be at a discount?—What we find is this, that even in cases where the native mint has been closed, or in cases where the native mint has coined very little, still exchanges show a redundancy of native State currency, indicating in all probability illicit coinage. I could illustrate that from the Hyderabad exchanges if I may be allowed. Taking the Hyderabad exchange, with which I am best acquainted, it has risen greatly since July 1893. From 1887 to 1892 both years inclusive, the exchange fluctuated from Hali Sicca rupees 125 and 4 annas to 133, with an average of say, roughly, 129. Since July 1893, the range has been from 129 rupees 8 annas to 136 rupees 12 annas, the latter rate being the one ruling towards the middle of May last, and the average has been about 133.

4184. You think that indicates illicit coinage?—Illicit coinage of the Hali Sicca rupee, the Hyderabad native State coin.

4185. You think that is brought into circulation in our territory?—It is taken into circulation all along the border in British territory.

4186. As to the quantity of silver imported into India, what do you say?—I consider the large importations, especially of this last year, a period of famine, indicate that there must be some exceptional demand for silver.

4187. As regards the import of gold this last year, are you aware that that also has increased very much?—The increase in the import of gold I attribute simply to the fall in the price of gold. When the exchange rises the price of gold falls. We have had a period of high exchange, in other words, a fall in the price of gold, and, I think, that accounts for the additional imports of gold.

4188. You have a statement here of the yearly imports of gold. I see that the weight in ounces of gold imported in 1897-98, was 732,035 ounces. That is considerably more than has been imported since 1890-91?—I think myself that that is attributable to the fall in the rupee price of gold. It fell also in 1890-91. The Committee may care to have a little information in regard to the precautions taken by the Nizam's Government to protect its currency from illicit coinage. The Nizam's Government have imposed a duty of 10 per cent. on imports of silver, but it is difficult to prevent smuggling on a land frontier. When visiting Hyderabad in 1896, I was informed that strict police supervision had been ordered both in Hyderabad city and the districts, but I was told by one of the head officials of the State that illicit coining was such a comparatively easy matter that it was probably being carried on to a considerable extent.

4189. (*Sir D. Barbour.*) You said in your evidence that the rupee currency would be reduced, or might be reduced, when apprehension point was reached as regards the gold reserve. I suppose you acknowledge that the real reduction of the rupee currency takes place when gold drafts on England are sold?—Yes.

4190. I do not know whether you believe at all in the quantitative theory of money?—I believe in the quantitative theory of money as laid down by John Stuart Mill. I do not believe in the quantitative theory of money expounded by the Government of India Despatch.

4191. The quantitative theory is that, other things being equal, the range of prices will depend on the quantity of money?—I think Mill lays down clearly that the quantitative theory of money with regard to its sterling price is——

4192. I was speaking of money in regard to general prices, keeping away from sterling altogether?—Prices no doubt are affected by the quantity of money that goes into the markets for commodities.

4193. The quantity of what you may call active money—the circulation?—I do not think it is always affected by the quantity of money in the loan market.

4194. I do not say so, but, roughly speaking, other things being equal, prices depend on the quantity of money. That is the quantitative theory of money, roughly speaking. I do not ask you to agree to it, or otherwise. Many people do not accept it?—May I call your attention to the evidence given before the Herschell Committee in reference to the case of Brazil?

4195. That is the case brought forward to show that the exchange may vary although the quantity of money remains the same?—Yes, or exchange remain the same, although the quantity of money varies greatly.

4196. There I entirely agree with you, but I was thinking of the general level of prices. Does that depend on the quantity of money, or do you reject the theory?—I accept the quantitative theory so far as this, that prices must depend on the quantities of money that goin to the markets for commodities. They are not affected by the quantity of money that goes into hoards, or that does not enter these markets.

4197. As to the active circulation, what is really money for the time being, I quite agree. Now, there are 120 crores of active circulation in India; suppose that was doubled—made 240 crores; and that all that money found its way into the country, and had time to diffuse itself, prices ought to be doubled, and debts and wages doubled?—Yes, if equally diffused on the average.

4198. And the exchange, instead of being 16*d.*, ought to go to 8*d.*?—Yes.

4199. Other things being equal?—Other things being equal.

4200. To what extent would the balances in the banks be increased under those circumstances—doubled?—Yes, I should say doubled, speaking generally.

4201. Suppose you wanted to reduce the currency and get back to an exchange of 1*s.* 4*d.*, how much money would you have to withdraw?—At present?

4202. Under the circumstances we have supposed?—I should be inclined to say one half, but of course it would depend on the quantity that went into the exchange market.

4203. You would have to withdraw much more than the addition to the balances in the banks?—Yes.

4204. So that if in adopting your scheme the Government were to adopt a rate of exchange very different from the normal rate of the time, you would probably have to withdraw many more rupees than were contained in the banks?—Yes.

4205. Then you spoke of the objection raised by the Government of India to your scheme that an indefinite liability was undertaken, and you said that that liability was no greater in your case than under theirs?—Less in my case.

4206. It might be less, but it could not be greater?—It could not be greater.

4207. But is there not this difference, that under the Government scheme they limit their liability to 20,000,000*l.*, and under your scheme you do not apply any limit?—Yes; many people say I should have been wise to have done the same thing.

4208. I do not say that, but there is that difference. It may have no practical effect, but in form there is the fact that they limit their liability to 20,000,000*l.* sterling?—I cannot see any practical difference.

4209. I do not say there is any practical difference, but that is what the Government of India might refer

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to when they say that under your scheme there was an indefinite liability?—Provided it is granted that I could have done the same thing with the same effect.

4210. I am not arguing against your scheme, but that is the argument—that you do not fix a limit?—Yes, that is the argument.

4211. Then the Government of India say of your scheme that it is not well fitted for the preliminary stage, and you point out that a similar scheme was adopted in England for the preliminary stage of re-establishing a gold standard in this country?—In fact it was confined by legislation to the preliminary stage.

4212. Now, I want to ask you if this is not the real objection of the Government of India, as I understand it, at any rate: that if under your scheme a rate of exchange is adopted which very widely differs from the actual market rate, then it may be necessary to make a great withdrawal of rupees?—True; but the same thing must occur under the Government scheme.

4213. But is not that the objection?—That appears to be the objection.

4214. And then the Government of India go on to say that your scheme is quite suitable (that is, in their opinion, of course) when you have arrived at the stage when it is not necessary to reduce the number of rupees in circulation?—Yes; both my scheme and Mr. Probyn's.

4215. That when you have got to that stage, it will be all right?—Exactly.

4216. You raise the objection to having a gold currency that gold might be hoarded or withdrawn from the general circulation. But assuming that the rupee currency has been sufficiently reduced, if gold is withdrawn there will be a further reduction of that currency, and it may be expected that gold will take its place just the same as, when rupees were hoarded, silver came in every year and took their place?—That would not occur were the balance of trade unfavourable to India at the time.

4217. If the circumstances were such that a gold standard could not be maintained, no doubt that would not occur; but the assumption is, that the currency has been so reduced that the balance of trade is in favour of India?—But the balance of trade might be in favour of India at one period, and unfavourable later on.

4218. Then you think that even though gold came into the country and was put into circulation, it might be withdrawn without bringing about a state of things that would cause more gold to be imported?—Certainly. A fall in gold prices would be sufficient to create a demand for export in addition to internal demands.

4219. Do you seriously contemplate levying a prohibitive duty on silver imported into India?—I have always put that forward as a desirable method of fixing our exchanges with the Native States. I hold that a heavy import duty on silver would not of itself suffice to fix exchange, but it would certainly under any circumstances minimise the cost of contracting the rupee currency.

4220. I spoke of a prohibitive duty?—A prohibitive duty would minimise the cost of my scheme by curtailing the rupee circulation, without any expense. It would compel the natives to revert to their old practice of using rupees in the manufacture of silver ornaments.

4221. That is without any expense to the Government?—Without any expense to the Government.

4222. But it would be an expense to the people who wanted silver ornaments?—Not necessarily. It would be an expense to those who manufactured silver ornaments for export, but not to those who manufactured silver ornaments for local use. It would raise the value of those—at least it would raise the rupee price of those ornaments.

4223. And, therefore, would be a greater expense to the persons who purchased them?—It would be a greater expense, but the ornaments would remain more valuable.

4224. (*Chairman.*) To whom?—To the peasant at all events in a case in which he had to borrow on them, say during famine times.

4225. (*Sir D. Barbour.*) I suppose you would admit that the absolute prohibition of the import of silver into India is a thing that really cannot be considered to be practicable?—At the Brussels Conference it was seriously proposed that the price of silver all round should be raised by imposing a tax on its production. That would, no doubt, have had the desired effect, and I do not see why the consuming countries should not exercise the same right.

4226. Would you be prepared so far to interfere with the habits of the people of India as to prevent them getting silver?—It would be no interference with the habits of the people, for this reason. Prior to the closure of the mints they were accustomed to buy their silver at a fixed rupee price. All it would do would be to restore the old condition of affairs, where the native was accustomed to look upon coined silver and uncoined silver as equal in price. May I go one step further, and point out this; that the imposition of an import duty on silver has an exceptional effect in connexion with silver money. If you put an import duty on food it does not add to the efficiency of the food; the food does not become more nutritious: but if you put an import duty on metal, which you use as your coin, it increases the efficiency of the coin. It is one of those few cases in which you can eat your cake and have it.

4227. I was thinking more of the ornaments?—In the case of ornaments, it would increase their cost under ordinary circumstances, but it would be a great benefit to the people in time of famine, because all the ornaments that they hold at present would rise to their old rupee value.

4228. But it has been alleged that it is no great evil that they have fallen below their old rupee value?—I am afraid that the experience of last year has shown that that is not the case. For instance, we found, during this last year, that rupees that had evidently been used for ornaments, had been pushed into circulation to a large extent. The natives found that the only part of the silver ornaments that could be utilised in the shape of money were the rupees attached to them. These rupees were taken off and they are recognised by the solder attached to them.

4229. Were there many of these rupees?—The Government drew the attention of the Bank of Bengal to the large increase in the number of coins with solder attached, that were appearing in circulation, and asked for an explanation. We referred to our branch agents, and we found that in all the districts that had been afflicted by famine many of these soldered coins had been put in circulation, and not in other districts, showing that the people had taken their coins from their ornaments, and tried to use them as money.

4230. That would have been the case in the North-west Provinces?—Yes.

4231. In Behar?—In Behar, and in the Central Provinces. It was not the case in districts free from famine.

4232. Now you say that under the system proposed by the Government of India if gold circulated in India, there would be heavy withdrawals every busy season of gold from London?—I should have said that there would be a risk of heavy withdrawals during any time of active export trade.

4233. Do you think that gold would go back again or remain in India?—I think the gold to a great extent would remain in India.

4234. Would not there be the same or a similar demand for gold in London under your system in a busy export season. People would pay in gold at 1*s.* $4\frac{1}{16}$*d.* in order to get rupees?—The difference would be this; that that gold would not be drawn from London for currency purposes in India. The gold would be transferred from certain accounts in the Bank of England to the gold standard office account, and in the autumn here, *i.e.*, in the slack season in India, a retransfer would take place; but the gold

would not leave the Bank of England for currency purposes in India.

4235. Do you think there would be a re-transfer?—I have no doubt that during the slack season there would be re-transfers. It would, of course, depend very much upon the margin of the convertible rates. If there was a margin of 6 per cent., probably nothing would come back. With a margin of 2 per cent. I think some would come back; with a margin of 1 per cent. still more would come back.

4236. You would propose then, that that gold paid into the gold standard reserve should not be set aside specially to meet claims against it, but that it should be merged in the general balance of the bank which it might use for any purpose?—Yes, that would be the best way. There would be no disturbance then of the London money market.

4237. If the bank used that money largely for its own purposes, would not there be risk that there might be a great drawing at 1*s.* 3¼*d.*, and a demand for gold at a particular time when the bank might find a difficulty in meeting it?—I do not think there would be any difficulty in meeting the demand, because it would be met by a mere transfer from one account to another. Under the Government scheme gold would be withdrawn for currency purposes in India. Under my scheme gold would not be used for currency purposes in India, and however big the demand it would cause no inconvenience.

4238. Suppose a man who had got a sterling bill took the gold and carried it out of the country—took it, say to America—would not there be a demand on the Bank of England arising in that way?—Yes, but that demand for gold would not be the consequence of any change in the Indian currency system. It would be owing to a special demand for gold in America which would occur no doubt, whatever the currency arrangements of India were.

4239. If there was that demand for gold in America (it is a purely hypothetical case) and advantage was taken of the Indian system to obtain gold in this way, the Government would be absolutely committed to the finding of the gold; the Government would have given a guarantee?—I do not see myself how such demand would arise out of any change in the currency system of India.

4240. As regards the cost under the Government system, do you think there is the double cost, the cost of borrowing the money and the cost of melting down rupees? For instance, Government propose to melt down 10 crores of rupees, and it gets 6 crores back by selling the silver; that leaves 4 crores deficit which it fills up by borrowing 2,700,000*l.* Is it not the case that the only real additional charge is the interest on the 2,700,000*l.*?—There will be the interest on the 2,700,000*l.*, and also the loss of the 4 crores of rupees.

4241. Its place is taken by the 2,700,000*l.*?—Its place is taken by the 2,700,000*l.*, but there is the interest on the 2,700,000*l.*, and there is also the loss of the 4 crores.

4242. But what burden comes on the Government from that loss, if it uses its 2,700,000*l.* in place of the 4 crores? I may be wrong, but as far as I can make out the actual additional burden that falls on Government is merely the interest on the money it borrows. It gets rid of 10 crores of rupees, but it gets back 6 crores in rupees and 4 crores in gold, and it has to bear the charge for interest on what it has borrowed?—Yes; but the Government pay interest on the 2,700,000*l.*, or four crores, and also lose the use of that sum. This question arose from a comparison I drew between the cost of contraction on the Government plan and my scheme. I assumed, in accordance with the Government estimate, that during the first year 5,000,000*l.* is borrowed, and 2,700,000*l.* spent in contraction. Under the Government plan 10 crores of Treasury money will be melted and sold for 6 crores rupees, and 2,700,000*l.* will be taken from the 5,000,000*l.*, and put in the Treasury balance. Under my scheme 2,700,000*l.* will be given in exchange for Rs. 4 crores. At the end of the year the Government will have its full Treasury balance, plus 2,300,000*l.*, in the one case, whereas under my scheme, it will have these amounts and 4 crores in addition.

4243. Now you said that under your system the particular rupees that are depressing exchange are withdrawn. The actual cause of the depression of exchange would be that somebody wanted a sterling bill and could not find it?—Yes.

4244. And under your system the sterling bill would be supplied?—Yes.

4245. Assuming that the sterling bill is supplied, does it matter whether you lock up the lakh of rupees that one man brought rather than the lakh of rupees that somebody else brought?—It is desirable that any rupees which tend to lower exchange below 1*s.* 3¾*d.* should be locked up.

4246. I only want to get out exactly what is the case; I am not arguing against it. It is desirable that the amount locked up should be the amount that somebody required to remit, but is there any advantage in locking up a particular lakh of rupees rather than another lakh?—Yes, I think it is desirable that the money locked up should come out of the exchange market.

4247. You pointed out, following Mr. Allan Arthur, that the gain to Government by preventing a great fall in exchange is much more than any possible loss from borrowing gold?—Yes.

4248. You do not speak there of the loss or gain to the country as a whole?—The gain to Government.

4249. Because if the Government had to borrow largely there would be a considerable loss to the country which would have to bear the interest on the loan?—Yes, and if exchange fell, there would be the still greater loss to the country in the depreciation of the value of the existing rupee currency; and if, as might be expected, gold prices of Indian produce fell, there would be the loss of the extra produce required to pay India's sterling obligations. Besides, as a set-off to the interest charge, there is the 2 per cent. profit on conversions, and the 45 per cent. profit on additions to the rupee currency.

4250. Do you think that if additional capital is wanted in India, that necessitates additional currency?—It all depends on the rate of exchange. The remitter of capital to India will remit it in the cheapest possible way. If exchange under my scheme were below 1*s.* 4$\frac{1}{16}$*d.* he would buy a bill against exports to India, but if exchange were 1*s.* 4$\frac{1}{16}$*d.* he would have to remit additional currency. Currency is merely a medium for conveying capital.

4251. Do you admit that you never contemplate the possibility of capital being found somewhere in India itself?—If capital can be found in India, there is no reason for its being imported, but during the past two years it has been found that the capital in India has been insufficient.

4252. Do you think it would be advisable to increase the margin to between 1*s.* 4$\frac{1}{16}$*d.* and 1*s.* 3½*d.*?—I should decidedly object to any increase, and I should think it is matter for consideration whether it should not be decreased. There are two parties. You have the exchange banks on the one side, and you have the merchants on the other. The merchant will naturally desire to have the margin as small as possible, so that there may be few fluctuations of exchange. The exchange banker, on the other hand, will naturally wish a larger range of fluctuation, and I think the duty of the Government in the matter is clear; that is, simply to fix the margin at the range that would be fixed were a gold currency in operation, which, I take it, would be 2 per cent. Were gold coins in operation, when exchange rose to 1*s.* 4$\frac{1}{16}$*d.* they would be imported from England.

4253. I thought it was 1*s.* 4⅛*d.*?—Well, they would be exported at about 1*s.* 4⅛*d.*

4254. Your margin is considerably more than that, is it not?—My own impression is that the best plan would be to fix the margin in accordance with what would rule under a gold currency system.

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4255. That would lead to some reduction in the margin you have suggested?—That would lead to some reduction, a small reduction.

4256. I do not know whether you are aware that the Government has tried the remitting of money to England by purchasing bills on London?—Many years ago.

4257. Now, do you think it would be safe, or expedient, to put the purchase of these 17 millions sterling of bills into the hands of the Presidency banks?—I certainly think that under an inconvertible system a weekly tender sale of bills, must tend to lower exchange.

4258. Why must it?—It resembles an auction sale. When things are sold by auction, we know that they never fetch their proper price.

4259. Is that really the case? I have always been under the impression that a very excellent price was obtained for opium sold by auction in Calcutta, and that the margin of profit was extremely narrow?—I do not know that that is so. All I can say is, that the operators in opium are generally very wealthy men.

4260. And the explanation I have heard of that is that the margin of profit was so small that no man who had not got a large amount of capital of his own could possibly engage in the trade?—It is no doubt minimised greatly by the gambling operations carried on in connexion with opium.

4261. I dare say you know that a great many commodities are sold largely by auction in the City of London?—Yes, but I think the ordinary trader is the better seller.

4262. (*Sir J. Muir.*) From your long connexion with the Bank of Bengal you must have been very much brought into contact with the leading merchants and traders and planters in Calcutta?—Yes.

4263. And I dare say you would agree in classing among the leading merchants, if not the leading firm of merchants, Messrs. Ralli Brothers?—Oh yes, their transactions are enormous.

4264. In Calcutta, Bombay and Karachi?—Yes, they have agents all over the country.

4265. A very large number of them?—A large number.

4266. I hold in my hand a paper which has been sent by Mr. Stephen Ralli to every member of this Committee; you are aware that there is a very wide diversity of opinion among the importers and exporters from Calcutta as to what is a fair rate of exchange?—Naturally the exporters like to see a falling exchange and the importers a rising exchange.

4267. (*Sir F. Mowatt.*) Do you mean a high and low rate, or a rising and falling rate?—Rising and falling.

4268. (*Sir J. Muir.*) It may be within your knowledge that some of the leading houses in Calcutta, such as Ralli Brothers, who are both importers and exporters, prefer on the whole a low rate of exchange because they say we cannot expect our business to go on largely in the importation of Manchester and Glasgow goods unless there is a large inland trade in exports which a low rate of exchange favours?—Those arguments are used, but I cannot say that I agree with them.

4269. We have been talking of your system very much on the basis of 1*s.* 4*d.*, but I understand you would equally apply a lower rate of exchange, if, on the whole, a lower rate were found to be more suitable?—Certainly.

4270. That is to say, suppose as the result of our inquiries and investigations this Committee should come to the opinion that 1*s.* 2*d.* was the proper rate, your scheme would work equally well?—My scheme would work equally well. It would cost less, to begin with.

4271. Of course you, frequently meeting indigo planters, tea planters, &c., will know that they feel that there is a heavy grievance so far as they are concerned by the rate being fixed at 1*s.* 4*d.* You have heard that stated in Calcutta?—Yes. Their desire, I believe, is to have no rate fixed at all, but if any rate is fixed they desire a lower rate.

4272. The tea planters have, as you know, invested over a great many years a very large sum of money; they themselves put it down at 20,000,000*l.* sterling. You are aware, I suppose, that that money, being fixed permanently in Assam and the Dooars and Darjeeling and elsewhere in India, cannot be taken away, so that they are bound pretty well hand and foot. The money being there it has to be used there?—That is so.

4273. Glasgow and Manchester men, importers into Calcutta of Glasgow and Manchester goods, are not in that position. I am a merchant in Calcutta, and I buy goods in Manchester, and in addition to the price I have to pay for my yarn or cloth in Manchester, the other elements that come in are freight and exchange; freight is a fixed quantity; and through the exchange banks I can fix my exchange; so that, when I have the selling price in Calcutta, I know exactly how the operation will result?—That is true, but I should like to say that I do not see how one section of a community can make a profit out of a fall in exchange without another section of the community suffering a loss. You have on the one side exports from India, on the other side you have imports, and the Council bills. If exports gain by a fall in exchange, there must be a corresponding loss on the other side. In the case of Council bills the whole of the community loses because it is a Government loss. In the case of imports it is not so easy to trace the loss, but exports cannot gain by a fall in exchange unless there is a corresponding loss on the other side.

4274. I am talking of the individual merchant; take myself for instance, I am not bound to buy these yarns or cloths in Manchester or Glasgow, unless I can see a margin of profit. I can hold my hand and say I will wait till a more convenient time?—Quite true. Some lose; some gain; some neither lose nor gain. Still, I cannot see how you can make a profit out of a fall in exchange without other persons losing.

4275. But I am drawing attention specially to the case of people who have invested 20,000,000*l.* in India and cannot withdraw it. I am looking at both sides of the question, because I am engaged on both sides, and as a purchaser of yarn or cloth in Manchester I need not go into a transaction unless I see a margin of profit?—Quite true.

4276. I may wait a month or two; my capital is simply lying dormant. But as regards the tea, coffee, and indigo planter, his money is sunk out there permanently, and if the rate of exchange is put up in an arbitrary manner, whereby his trade becomes unremunerative, he cannot help himself; he cannot allow his estates to run wild, or his money would be all gone?—But on the other hand there has been a great fall in exchange, and it is the other side that have been the great losers, in the case of India.

4277. You are aware that a great many companies were formed a few years ago when the rate of exchange was between 1*s.* 1*d.* and 1*s.* 2*d.*?—But those people must have had information that it was the intention of the Government of India to fix sterling at 1*s.* 4*d.*; at least if they had not definite information they must have known that that was probable.

4278. We both know a great deal about India, but my impression is that the people who went into these companies had no expectation of the rate being fixed arbitrarily at 1*s.* 4*d.*, or they would not have put their money into the companies?—I know, of course, that hopes have always existed among certain sections of the community, that Government would be unable to fix exchange, and that India would be driven back to a silver standard.

4279. That opinion was held by the importers from Manchester and Glasgow and the exporters of wheat, jute, and other produce. They did not think that Government could possibly fix in an arbitrary way a 1*s.* 4*d.* rate?—That opinion was very generally held.

4280. Reports of Tea Companies and other companies are coming out just now, showing losses com-

pared with recent years, and causing disappointment to a large number of investors in England, Scotland, and Ireland. Now, you are a practical man, and know the subject, perhaps, better than any one of us. There is a special hardship, as regards the class of investors in this country who have sunk their money permanently in tea, coffee, indigo, and so on, as compared with the merchant, who need not buy his cloth or yarn unless he sees a margin of profit. Is not that so?—That is true, but you cannot gain by a fall in exchange without others losing, in the same way that you cannot gain by a rise in exchange without others losing. That is my answer to that argument.

4281. But if the cases are on all fours—— ?—I do not think those you have mentioned are on all fours.

4282. These large companies who have sunk 20 millions in tea, and so many more millions in other things—they must go on cultivating their estates, or their capital is gone. You have lots of jute mills in Calcutta. Now, a jute mill may not pay, but still the owners of the mill go on, in hope that times may change?—It is quite true, as you have put it, that the merchant, the middle-man, in connexion with the Manchester and Indian trade, does not lose, as the tea or indigo planter would lose, by a fall in exchange.

4283. Because he does not need to go on with his business if it is not profitable; he has his capital on this side?—No doubt.

4284. (*Sir F. Mowatt.*) I am only going to ask a single question on the point Sir John Muir has raised. He pointed out that planters have sunk much capital in India. That capital has been sunk gradually, during a good many years?—Yes.

4285. Part of it was sunk when the exchange was at least where it is now?—Yes.

4286. Then came a time when it was possible that the Government might be unable to support the rupee at 1*s.* 4*d.*?—Yes.

4287. The planter, as was perfectly within his right, speculated on whether that was possible, and he invested his money in the hope that it would not be possible?—Yes, so it is said.

4288-9. Therefore, it was a perfectly legitimate speculation, pitting his foresight against that of the Government; as it turns out, Government were right, and he was wrong. That is a legitimate speculation, with a legitimate result?—Yes.

4290. Now, when you come to compare the planter, is not the planter properly comparable with the producer in England?—Yes; they are both producers.

4291. And the manufacturer in England benefits by the higher rupee in the same way as the planter loses by it?—Yes. The loss on the one side must be equalised by a gain on the other.

4292. And it is practically the same thing with the consumer in India, the wearer of piece goods that go out there?—Yes. Other things being equal a rise in exchange must make European products cheaper in India.

4293. (*Chairman.*) Suppose the intrinsic value of the rupee had not altered; how would that have affected trade—suppose there had been no disturbance in exchange?—Suppose bimetallism had continued to exist, I should think that would have been desirable all round.

4294. I want to see how it would have affected the planter, say, of indigo or tea. What I understand you to say is, that it is a great advantage to him to have to sell his goods with a falling exchange?—Certainly. It is a temporary advantage. I always look upon these things as lasting as long as exchange falls, and possibly for some time afterwards.

4295. But suppose exchange had remained at what it was, at a reasonable figure, say 1*s.* 8*d.*, and had been fixed at that figure?—Stability of exchange is desirable all round, I think. Fluctuations in exchange bring temporary gain to one section of the community, but they cause a corresponding loss to other sections. These unjust profits are temporary; whereas the ample flow of capital which stability of exchange brings is a permanent stimulus, and is beneficial all round.

4296. But does not a portion of the gain arise from the increase in the number of rupees which is received for the same description of goods at a certain gold price?—Yes. On the other hand, of course, there is the fall in sterling prices that so often follows a fall in exchange. It is the general opinion, I believe, among the mercantile community in India, that a fall in exchange leads to a fall in sterling prices. Of course that is an intricate point, and you have high authorities on both sides. I, myself, agree with Professor Nicholson—his argument, I think, has never been answered—that it is the case that a fall in exchange lowers the sterling price of Indian products.

4297. Has not the tea planter gained by receiving a larger number of rupees, his wages remaining the same?—Certainly, except when the fall in exchange lowers the gold price of tea, and he will gain by a further fall in exchange; that I frankly admit, but Government and importers pay a larger number of rupees. It is an unjust gain.

4298. Now, one word on Mr. Probyn's scheme. Mr. Probyn proposes, as I understand, "to establish "a reserve of gold in India; but, in order to pre- "vent the gold passing into circulation and dis- "appearing into hoards (an object which Mr. Lindsay "also has in view), he proposes that gold should not "be coined, but that it should be kept in stamped "bars of a high value"?—Yes. I am familiar with the scheme. I approve of the Government of India's view, that these gold bars might pass into hoards. Were gold bars in India interchangeable with rupees, it might be considered safer, looking to the intrinsic value of gold, for hoarders to hold these gold bars; they would be equivalent to money, being always obtainable for money and convertible into money at a fixed price.

4299. Then you think the same objection can be urged against Mr. Probyn's scheme as you urge against that of the Government of India?—Yes.

4300. It would not be so great, because there is a difference between gold bars and easily circulated gold coins; there is a greater difficulty in disposing of gold bars?—In my opinion Mr. Probyn's plan would be very much cheaper than the Government's plan, but still it is open to the objection as to hoarding, and to all the objections I have raised to locating the gold reserves in India. You have to deal with three demands for gold; for use in foreign payments, for internal circulation, and for hoarding. I propose that Government should take one step at a time, and deal in the first place with the one demand that can be separated from the others, and must be met in order to fix exchange, viz., the demand for foreign payments. It is difficult to estimate how much gold will be required for the internal circulation, and hoards. The demand for foreign remittances is smaller than either of the others, and it is prudent, in attempting to solve a difficult problem of this kind, to proceed by one step at a time.

4301. But you do contemplate their taking another step?—I believe it will be found after a few years' experience that this system of currency is so elastic, and it meets all Indian requirements so well, that the Government will adhere to the system, and make no change. It will employ the minimum quantity of gold, and the maximum quantity of silver, consistent with an exchange level of 1*s.* 4*d.*

4302. Then you do not contemplate an ultimate gold currency?—I do not.

4303. You have used the words, especially in quoting the precedent of 1819 and other precedents, that they were "preliminary to a gold currency"?—Certainly, but I agree with Ricardo that a system of currency of this kind would answer all purposes, and is economical. At the same time, I would like to point out that, if you contemplate going on a gold currency system later on, this is one step in that direction. If, as the Government of India estimate, the Indian currency requires an annual addition of 3½ crores rupees, and if, as I estimate, the token rupee can be supplied at a profit of 45 per cent., the scheme

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will yield a profit of over one million a year, which, if allowed to accumulate, might form a fund for use in establishing a gold currency in future.

4304. In other words, this would facilitate the creation of a gold currency, if it were ultimately thought to be desirable ?—Yes.

The witness withdrew.

Sir H. Waterfield, K.C.S.I., C.B., & Mr. E. R. Cave Browne, C.S.I.

21 June 1898.

SIR HENRY WATERFIELD, K.C.S.I., C.B., and Mr. E. R. CAVE BROWNE, C.S.I., called and examined. (21*st June* 1898.)

4305. (*Sir D. Barbour, to Sir Henry Waterfield.*) You are the Financial Secretary to the India Office? —Yes.

4306. (*To Mr. Cave-Browne.*) You are the Accountant-General to the India Office?—Yes.

4307. (*To Sir Henry Waterfield.*) You have put in a memorandum showing the various methods that have been adopted at different times for effecting remittances from India?—Yes.

4308. That memorandum will be printed in the Appendix to the evidence. Will you explain to the Committee, orally, how remittances are effected from India at the present time?—The Secretary of State in Council, who is usually represented by two members of the Council of India, sells bills at the Bank of England, having previously announced that tenders for a specified amount will be received, and that the allotment will be made to the highest bidders. This takes place once a week—every Wednesday. Unless there is some special reason, the amount that has been announced is allotted regularly in that way; but power is reserved under the advertisement, of which I will put in a copy if desired, to withhold any sum, so that it is not imperative that the whole amount advertised should be sold. On the other hand, if thought fit, the Secretary of State has the power to sell more in the shape of telegraphic transfers, although in practice it is very rare to give more than has been announced beforehand. After the allotment has been made, both bills and telegraphic transfers are sold at rates above the price at which the bills have been sold, provided that the whole allotment has been made.

4309. (*Sir F. Mowatt.*) After the bills have been sold, what more can be done in the same week?—Further bills or telegraphic transfers are sold, the Secretary of State engaging that, if the whole amount advertised has been allotted, no more shall be sold except at a higher price.

4310. (*Sir J. Muir.*) May he not accept more than he at first indicated that he wished tenders for?—Not in the case of bills. The advertisement fixes the amount of bills, but it says that telegraphic transfers may, if desired, be issued beyond that. A good many years ago it was the practice occasionally to issue the telegraphic transfers at the public sales in addition to the bills, but for seven or eight years, if not more, it has always been the practice to issue only the amount of bills and transfers that were advertised, excepting when, for the convenience of allotment, perhaps a small amount more may be given, to prevent inconvenience.

4311. (*Sir F. Mowatt.*) Are these bills expressed in rupees?—Yes.

4312. Bills for rupees sold in what is practically an open market once a week?—Yes.

4313. (*Sir D. Barbour.*) With an arrangement that intermediate sales may be made?—Yes.

4314. But the intermediate sales are at a somewhat higher price if the full amount advertised has been already sold?—Yes.

4315. Practically the bills are put on the open market. The Secretary of State does not draw bills, unless when he wants money, that is to say, unless with the object of meeting disbursements in this country?—Certainly, that is the object.

4316. And he could not for any length of time refuse to sell bills unless he was prepared to borrow in this country?—That is so, unless his cash balances were very large otherwise.

4317. He has got to take the market rate in the long run?—Certainly.

4318. (*Mr. Campbell.*) Do you find by experience that the system now adopted ensures fair competition for the bills?—Yes.

4319. In advertising the amounts for tender, I think, the Government adjust the weekly amount offered during the year to the trade requirements from time to time?—Yes, as far as they are able to do so.

4320. In the busy season they generally put up for sale a larger amount of bills weekly, and then during the slack season they rather reduce it?—That is the practice.

4321. Have you any return showing the rates ruling in India at the time of the sales of Council bills?—The rates are telegraphed to us daily if there is any change, and the members of the Council who are selling the bills have before them the rate of the day on Wednesday.

4322. I suppose that statement would indicate whether the Council gets fair rates for its bills, or whether the bills go below their value?—Yes, we cannot always accept the rate which is telegraphed, and which is probably not the rate for a large amount, as being one at which it would be reasonable to expect to sell 40 or 50 lakhs; some allowance has to be made for the amount that is being put on the market at the time.

4323. Would it be possible to put in a return showing the rates obtained on Wednesdays for Council bills, and alongside of that the rates telegraphed from Calcutta on the same day?—Yes; I have it in a book here. For what time would you wish it?

4324. Perhaps for the last 20 years?—That would be rather a long business.

4325. Then say for the last four or five years. It is merely to show whether the Council gets fair rates as compared with the real value of the bills?—Very well, I will put in such a statement.

4326. (*Sir F. Mowatt.*) Meanwhile, can you answer from your experience whether that is so?—Yes. If you will allow me, I will read the figures for the last few weeks to give you an idea. This is the 1st April 1898. The transfer rate telegraphed from Calcutta was 1*s.* $3\frac{7}{8}$*d.* The average price at which we sold bills was 1*s.* $3\frac{13}{16}$*d.*, and transfers, 1*s.* $3\frac{29}{32}$*d.* On the 27th April the rate telegraphed was 1*s.* $4\frac{1}{32}$*d.*; then we sold rather low—1*s.* $3\frac{29}{32}$*d.* for bills, and 1*s.* 4*d.* for transfers. On the 11th May, 1*s.* 4*d.* was the rate, and we sold bills at 1*s.* $3\frac{15}{16}$*d.*, transfers at 1*s.* $4\frac{1}{32}$*d.* I think we may say that in practice we sell bills at rather less than the telegraphed rate from Calcutta, and transfers generally a trifle over.

4327. (*Mr. Campbell.*) Of course, bills are not worth so much, because they take two or three weeks to get out, whereas telegraphic transfers give you the cash at once?—That is so.

4328. Then the Council sells intermediary amounts —between the weekly sales—at a higher rate?—Yes.

4329. But it is not bound to do so, is it?—No, it is at its option.

4330. There have been occasions when the Council have held out for higher rates than the market was inclined to give?—That is so.

4331. And, sometimes they stop the sale of their bills for some time in consequence?—The sale of the bills has occasionally been stopped in consequence.

4332. I think the last occasion on which this was done to any extent was in the latter half of 1893,

was it not?—In the latter half of 1893 the Council held out for a minimum rate, but the sale of bills was stopped owing to the famine last year also.

4333. They did not sell their bills because they held out for a minimum rate?—What I mean is that the sale of bills was stopped altogether at the end of 1897, because the cash balances in India would not permit of their sale.

4334. But at the time I speak of, in 1893, the Council did not sell bills because they insisted on a minimum which the market would not give?—That is so.

4335. Was sterling borrowing made necessary by the cessation of those bills?—Yes.

4336. Have you any idea to what extent sterling has been borrowed since the closing of the mints, to enable the Council to hold out?—I should not admit exactly that the sterling was borrowed to enable the Council to hold out. On the closing of the mints it was held that, if the bills were not sold below a certain rate, the market would be obliged to buy the bills at that rate. The consequence was that the remittances were not effected, and it became necessary to borrow. But all through the time it was open to the market to take the bills, and once now and then they did so when the occasion for remittance at the minimum rate arose. There was a deficiency to meet the net disbursements in 1893–94 to the extent of about 6½ millions, and practically that was met by borrowing. The total increase of debt in that year was £7,430,000, but the amount by which the remittances fell short of the net disbursements, was £6,588,000.

4337. You would consider that as representing the amount that was covered by sterling borrowing?—Yes.

4338. (*Sir F. Mowatt.*) For what time was that money borrowed?—It was permanent borrowing; it was at first temporary borrowing, but eventually it was made permanent.

4339. (*Sir J. Muir.*) Thus enhancing the interest to be met annually by India in London?—Yes, that is so.

4340. (*Mr. Campbell.*) The Council drawings have shown a gradual tendency to increase in amount, have they not?—Yes.

4341. I suppose a good deal of that is due to the increase in the sterling debt?—Yes.

4342. It represents the larger amount of interest necessary to remit from India to meet the service of the sterling debt?—To a considerable extent it does, but not entirely so.

4343. Can you give us any idea how much the normal drawings have increased during the last 20 years?—There was a very considerable rise 20 years ago. In 1875–76 and 1876–77 the bills were 12,390,000*l.* and 12,696,000*l.*; but, taking the period of 20 years which you have mentioned, in 1878–79 it was 13,949,000*l.*; in 1879–80 15,262,000*l.*; and in 1880–81 15,240,000*l.*; in 1881–82, which was an exceptional year, it was 18,412,000*l.*, the highest amount that we have ever sold.

4344. That was due to some exceptional circumstance?—Yes, there was an unusual demand for bills, owing to which it was found possible to discharge debt.

4345. (*Mr. Le Marchant.*) It has been suggested in the course of our inquiry, I think, that the Secretary of State might sell much more freely during the busy season and correspondingly reduce sales of Council bills during the slack season; what, from your experience, would you say as to that?—It is the practice to do so. I have taken out a statement for the last 20 years, and I find that the proportion in every year from June to November is about 40 per cent., and from December to May 60 per cent.

4346. I rather understood the suggestion to be that a much greater difference might be made than is made, what do you say to that?—I think there is a danger, if we announced our readiness to sell, week by week, considerably more than 60 lakhs of rupees, which is the amount usually now put on in the height of the export season, that we should depress exchange very much, and that, although the market might tender bills to a larger amount, they would only do so at a relatively low rate, and that the object would be rather defeated—that in the long run we should not remit at so favourable a rate as we do at present.

4347. In some recent years the amount sold even in the busy season has not been up to a very high average in certain weeks, I think?—No, in the years 1895–96 and 1896–97, the variation in the latter year being due to the famine, the sales from December to May were absolutely less than from June to November; but those are the only two years in which that has occurred.

4348. The existing system may be taken to be based on general principles that the trade understand?—I think so.

4349. Do you view it as important in these transactions that as far as possible the expectations formed by buyers from their experience should be taken into account; that is to say, that you would avoid what might be called capricious changes?—Yes, I think so; but I perhaps ought to mention that it is open to the market to take much larger amounts, if they are willing to give a rather higher price, by intermediate sales, and there are many instances of very large amounts being sold. Looking back to 1882, on one occasion in a single week 190 lakhs were sold; it was just after one of the times to which Mr. Campbell referred, when we had been holding out for a minimum rate and not selling freely. Including that sale, there were 1,041 lakhs sold in 11 weeks, which is very nearly an average of 100 lakhs a week for the best part of three months. There are many cases in which we have sold over 100 lakhs, and there are more than 30 in which we have sold as many as 80 lakhs in a week.

4350. So that if a trade demand shows that remittances are required, so far as possible the Secretary of State provides it?—He does.

4351. It has been suggested at times that the Secretary of State should sell telegraphic transfers in preference to Council bills, on the ground that a better exchange rate is obtained by him, and possibly that the rupees the Government of India disburses are not bearing interest in the cash balances in India. What do you think would be the effect of practically discarding bills and giving a preference to transfers?—I am not able to say what it would be; I can only give an opinion upon it. My view is that it would result in the demand for bills being removed from the competition; that banks and merchants who wished to supply themselves with bills would look to other means of remittance, such as mercantile bills, and the demand for the Secretary of State's bills would be limited to that of persons requiring immediate remittance by telegraphic transfers, and the result of the removal of that competition would be that we should get for the telegraphic transfers only the rates that we should have otherwise obtained for the bills. We should rather bring down the telegraphic transfer rate to the bill rate than raise the bill rate to the telegraphic transfer rate.

4352. (*Sir F. Mowatt.*) You mean you really now supply the full demand for telegraphic transfers?—Yes.

4353. (*Mr. Le Marchant.*) But on general principles you endeavour to meet the wants of your customers, and upon a regular system?—Yes.

4354. (*Sir D. Barbour.*) When the Secretary of State did not draw the full amount of the bills in 1893, and rupees accumulated in the Indian Treasury, what became of those rupees?—To a great extent they were used in the development of railways.

4355. Used in the construction of railways?—Used in the construction of railways in India.

4356. Do you happen to remember the reason why so much was drawn in the year 1881–82? Was that the year in which about one million sterling of English debt was paid off?—There was a large discharge of debt, to the extent of nearly four millions.

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4357. But I am thinking of an actual paying off of debt?—You mean the one by the Commission for the reduction of debt. That was rather later. The case to which you refer was when they remitted 1,001,393*l.* at the end of 1882–83, which was applied in 1883–84 to the purchase of 990,000*l.* India debentures and 3,584*l.* India 4 per cent. stock.

4358. Is that almost the only occasion on which sterling debt was reduced out of revenue or by remittances from India?—Yes, out of revenue, by remittances from India; that is to say, to any great extent.

4359. You have put in certain statements. Will you look at the list of statements on the first page, and say how many of them you put in?—The first nine, including 9A, 9B, and 9C, are put in by Mr. Cave Browne or myself. I am responsible also for those numbered 10 to 17, but they are mostly taken from Mr. O'Conor's own book, so that perhaps they may be considered as put in by him and me jointly.

4360. There is one point I should like to ask you a few questions about. I wish to attempt to settle as accurately as we can what might be called the amount of the normal drawing of the Secretary of State at the present time. I thought that that might be done most conveniently by asking you a few questions with regard to the estimate of expenditure and disbursements in England in the present year. There is a column headed "Net disbursements excluding discharge of debt and all capital transactions." That shows that the Secretary of State required for that purpose this year 16,595,800*l.*?—Yes.

4361. Then there is a further column "Capital outlay on railways and irrigation works" for which he required this year, or is estimated to require, 1,119,900*l.*?—Yes.

4362. Then in connection with "Net receipts from or withdrawals by railway companies on capital account" he required 943,000*l.*?—Yes.

4363. The total of those three items is 18,658,700*l.*?—That is right.

4364. That is the total sum he would require for all purposes, according to the estimate for the current year?—Yes.

4365. The amount estimated to be drawn from India is 16,118,000*l.*?—16,000,000*l.* to be drawn by bills and telegraphic transfers, and 118,000*l.* to be received from the Imperial Government in this country.

4366. Under what head does that come?—That is in table 9A.

4367. Is not that included under the head "Net disbursements"?—No; 9A gives the detail.

4368. Is this it: "Repayment of miscellaneous "advances in India on account of the Imperial "Government" ?—That is 108,000*l.*, and there is a small sum of 10,000*l.* for the Mombassa expedition.

4369. So that the Secretary of State will require about 2,500,000*l.* more than he expects to draw from India?—Yes.

4370. That amount is intended to be met by borrowing?—Yes.

4371. Now the total amount that he had to pay away was 18,657,800*l.*?—That is so.

4372. That includes capital transactions on account of railways?—It includes them.

4373. It includes all capital transactions?—Quite so.

4374. So that it would not be fair to take that sum of 18,658,700 as what I might call his ordinary requirements?—I am not quite sure that you can exclude the withdrawal of capital by railway companies, because in previous years he has received the money for that payment.

4375. I am trying to make out how much the Secretary of State would require to draw this year from India in order to meet his ordinary liabilities, excluding capital transactions?—Excluding capital transactions, that amount of 18,658,700*l.* is more than he would require; and, if you exclude all capital transactions, you come back to the 16,595,800*l.*

4376. But these figures, 1,119,900*l.* and 943,000*l.*, in connection with the payments for railways, I think include the expenditure entered under what is called the "Capital suspense account"?—Yes.

4377. And I understand that this expenditure is mainly, if not altogether, expenditure on stores in this country which are required for railways in India?—Yes, almost entirely.

4378. If these stores are required we will say for the construction or the substantial extension of railways, their cost is ultimately charged to capital?—Yes.

4379. If on the other hand they are required to replace stores the cost will ultimately be charged to revenue account?—Yes, if it is for maintenance and so forth.

4380. New rolling stock, new engines, and so forth, required to replace those which are worn out?—Yes, if it is merely a replacement, not an improved type of engine.

4381. Is it possible for you to say how much of these two sums is ultimately charged to capital account and how much to revenue?—No, I have tried to trace that, but I cannot give it.

4382. If we could ascertain the amount ultimately charged to revenue, we could get, approximately at any rate, the normal drawings of the Secretary of State, excluding capital transactions?—Yes.

4383. The amount to be added in that way would be something substantial, no doubt?—Yes, certainly, from half a million to a million, I suppose, at any rate.

4384. If it were from half a million to a million, the normal drawings at the present time, excluding capital drawings, would come to from 17 millions to 17½ millions sterling, being the sum of 16,595,800*l.* which we first dealt with, *plus* a further sum of from 500,000*l.* to 1,000,000*l.*?—I think so.

4385. Then you have put in certain other statements. One is "Statement of receipts and disbursements of the Home Treasury," which goes into some of the details. It is for 1897–98, and for the Budget of 1898–99. I do not know whether you wish to offer any explanation with regard to it, or to make any remarks. It gives more details than are given in Tables 9 and 9A?—That is the one from which I have been speaking. I have nothing more to say about it.

4386. Then there are two other statements. One, "Statement showing the total amount of the sterling "payments made in this country in each of the 20 "years from 1878–79 to 1897–98, on account of "interest and annuities; the apportionment of those "payments to railways and irrigation works and to "interest on ordinary debt, on an assumption that the "amount of all capital outlay on such works has been "borrowed in this country; also their equivalent in "Rx. at the average drawing rate of the year." Have you any remarks to make as to that statement?—That is a statement prepared by the desire of the Chairman of the Committee; and, as the title explains, it is based on an assumption, which is that all payments in England for capital stores have been met by borrowing in this country. The policy of the Secretary of State in 1868, when the Government first entered on the system of constructing State railways, was that the capital charge should only be met by borrowing effected in India. So far as the despatches go that has been the normal policy, although on certain occasions it has been impracticable to pursue it, and resort has been had to borrowing in this country. But, as it happens, the figures work out so as to show that the increase of the ordinary debt and the amount of capital outlay are very nearly equal; and, therefore, it is perhaps a not unreasonable assumption, to say that the capital outlay has, in fact, been met by sterling borrowing. If that view is taken, then it must be held that the expenditure on other exceptional transactions, such as war or famine, has been almost entirely met in India.

4387. I understand the state of affairs to be this, money was raised in India or provided from revenue or in some other way?—Yes.

4388. And, in addition, money was provided in this country by sterling borrowing?—Money has been provided in this country by sterling borrowing in addition.

4389. But the guaranteed railways provided it?—Yes, to a certain extent.

4390. This includes guaranteed railways?—No, this is entirely outlay for State railways.

4391. Only State railways?—Only State railways.

4392. But surely this includes State railways that became State railways by being purchased from the guaranteed railways?—So far as there has been outlay on them since the purchase.

(*Mr. Cave-Browne.*) And also when there has been specific debt raised in this country by means of which we purchased them.

4393. (*To Sir Henry Waterfield.*) The net result is that the total addition to debt in this country is how much?—The total increase of debt in 20 years is 63,598,000*l.* sterling, and the total debt assumed to have been incurred by productive public works, adopting the method in which the Chairman desired that the statement should be prepared, is 61,036,000*l.* Mr. Cave-Browne reminds me that I perhaps ought not to say that the Chairman desired to have it in this form; he asked to have a statement prepared, and this was the nearest approach we could make to the statement he desired.

4394. Then there is a further statement "showing "the amount of Indian sterling debt at the com- "mencement and close of each of the 20 years from "1878–79 to 1897–98, the increase or decrease in "each year, and the portion of that debt contracted "for railways and reproductive works, on the "assumption that the amount of all capital outlay on "such works in England has been borrowed in this "country"?—That is one of the statements from which I have been speaking. It shows the increase or decrease annually, and the total increase at the foot.

(*Mr. Cave-Browne.*) The one is a statement of debt, and the other is a statement of the interest on the debt.

4395. (*Sir J. Muir to Sir Henry Waterfield.*) The interest on the debt at what rate?—At the rate that was paid on each class of stock existing during the year. It gives the charge at the rates actually paid during the year.

4396. (*Sir D. Barbour.*) I think you had some figures prepared to show the charge for exchange?—I do not know that I can do better than refer to the statement of income and expenditure which is presented annually to Parliament. It is entitled "Return of the net Income and Expenditure of "British India, under certain specified Heads, for "the 11 years from 1886–1887 to 1896–97." It shows under each group of heads in the account the charge for exchange on the net sterling expenditure. Taking the figures for the last year, 1896–97, the amount is 10,222,256*l.*; but there are three other directions in which the expenditure of the year is affected by the rise or fall in the rate of exchange. First of all, the pay of the European soldiers was fixed in 1874 in Indian money at rates based on the conversion of the rupee at 1*s.* 10½*d.* In 1884 the subject was reconsidered, and it was held that they ought to receive the equivalent in rupees of the sterling sum for which they had made their engagement, at approximately the rate of exchange for the year; and this has been carried into effect since that date. The additional payment to the British troops on this account in 1896–97 was Rx. 1,103,200. Then secondly, when the mints were closed, and it became clear that the action of the Government would prevent the gold value of the rupee rising above a certain point, it was deemed necessary to give the European officers some compensation. Roughly speaking, it was held that on one-half of the pay there was no need to give any, as it might be deemed to be the amount spent in India; but that the other moiety might be viewed as requisite for remittance to England in support of the officer's family or for saving and investment in a manner which sooner or later might result in remittance to England, and that on this half of the pay compensation was needed. Accordingly it was agreed to give the officer such an additional sum of rupees as would enable him to remit to England one-half of his salary at 1*s.* 6*d.* per rupee, the sum so held available for remittance in no case however to exceed 1,000*l.* a year. Every quarter an order is published giving the rate of exchange and the corresponding percentage on salary which is to be allowed during the next three months in order to admit of this compensation. In the year 1896–97 the exchange compensation allowance amounted to Rx. 935,176. Then, thirdly, the Government is under various engagements by which it receives money in one currency, on condition that it pays the equivalent at fixed rates in the other currency. Such are the transactions with railway companies, postal and money orders, emigration bills, &c. There is always a gain or loss in these payments, which is entered in the accounts as exchange on remittance transactions. In the year 1896–97 there was a gain of Rx. 144,233. The net result, therefore, of the four items—the exchange on net sterling expenditure, in the pay of the European soldiers, in compensation allowance, and on remittance transactions—was a charge for exchange of Rx. 12,116,399.

4397. That is as compared with what the charge would have been if exchange had been 2*s.*?—Not exactly that.

4398. But in the case of the bulk of the expenditure that will be the case?—In regard to the exchange on the net sterling expenditure, which forms the bulk, it is the amount which must be added to the sterling figure in order to obtain the number of Rx. that it costs to defray it. It is not correct to call it the loss by exchange, but it is the addition which has to be made under the heading of exchange, in order to convert the amount of sterling into the corresponding amount of Rx.

4399. Can you give any estimate of what the additional charge would be roughly if the exchange were to fall 1*d.*?—Do you mean by only 1*d.* from 1*s.* 4*d.* to 1*s.* 3*d.*, or at what level do you take the fall of the penny?

4400. It is merely to indicate the effect on the finances of a rise or fall in the exchange. Of course the charge varies with the level of the exchange, but you might take the estimated rate this year, or take 1*s.* 4*d.* to 1*s.* 3*d.*, that is quite enough?—The cost of 1,000*l.* remitted at 1*s.* 4*d.* is Rx. 1,500. If remitted at 1*s.* 3*d.* the cost is Rx. 1,600, and the increase is about 7 per cent.

4401. But what I would like to get, and it would be convenient for the Committee to get, would be a total figure showing about how many more rupees the Government of India would have to find under present conditions if the exchange fell from 1*s.* 4*d.* to 1*s.* 3*d.*?—At the rate of 1*s.* 4*d.*, 16 millions sterling cost Rx. 24,000,000. At 1*s.* 3*d.* 16 millions sterling is equivalent to Rx. 25,600,000. The additional charge in consequence of the fall from 1*s.* 4*d.* to 1*s.* 3*d.* on a remittance of 16 millions sterling is Rx. 1,600,000.

4402. And if you made a similar calculation for all the other items the total would be considerably more than that, would it not?—Do you refer to a remittance of 18 millions.

4403. If you take the exchange compensation account, and the pay of British soldiers, and so on, it would be more?—Oh yes, it would be more undoubtedly.

4404. I do not know whether it is possible for you to make the calculation?—Not exactly, but I can give it roughly.

4405. It is over Rx. 2,000,000 I think?—Without difficulty I think I can show you what it cost in the year when the rate was about 1*s.* 3*d.*

4406. The circumstances change from year to year. I would like you to take the estimates for this year and calculate the additional number of rupees required

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at 1*s.* 4*d.* as compared with 1*s.* 3*d.* Can you give the Committee an idea of what effect the rise or fall of exchange has on the finances?—Yes, I think it may be taken at from Rx. 2,100,000 to Rx. 2,200,000.

4407. (*Mr. Campbell.*) One question as to the so-called loss by exchange. I see there is an item of Rx. 4,240,340 expended on stores. Does that really mean an expenditure in London of 4,240,340*l.*?—No. That is in Rx. It is the value in tens of rupees of stores imported into India. The sterling expenditure would not be nearly so much as that.

4408. Then the exchange is added to the sterling amount so as to bring it into rupees?—It is not quite accurate to say that the exchange has been added. It is the value of the stores as shown on the invoices when imported into India. There would be a considerable difference between the sterling price and the rupee price.

4409. So that in sterling it would appear at somewhere under 3 millions?—Yes.

4410. Then as regards the sterling loans, which have been raised during the last five years, amounting to somewhere about 20 millions altogether?—About 17 millions.

4411. The interest on that would amount to something not far from 600,000*l.* How would you deal with the loss by exchange there?—I do not quite follow the question. There is no loss by exchange. In the payment of interest on sterling debt—you must allow me to correct you—there is no loss by exchange, but the exchange arises on the remittances from India to pay that interest, which is one of the largest items of disbursement in this country.

4412. The exchange on that 600,000*l.* at 1*s.* 4*d.* would be roughly about 30 lakhs?—Yes.

4413. Seeing that exchange has never been over 1*s.* 4*d.* since that money was borrowed, would it not follow that there has been no loss by exchange at all?—Your point is that the capital which that represents has been remitted to India at 1*s.* 4*d.*, and that the bills necessary to pay the interest have been drawn at 1*s.* 4*d.*

4414. Exactly?—There is no loss by exchange in such a case. Assuming that the debt was raised at 3 per cent., the remittance to pay the interest would be exactly 3 per cent. on the value in rupees of that capital.

4415. In your accounts, would the return of that remittance from India figure as a loss by exchange to the extent of 30 lakhs of rupees?—No, we do not call it loss by exchange. To turn a payment of 600,000*l.* into Rx. 900,000, you must put down in the one column 600,000*l.* and in the next column exchange Rx. 300,000, and the total is Rx. 900,000; but it is not correct to say that that Rx. 300,000 is loss by exchange.

4416. But is not that Rx. 300,000 included in Rx. 12,000,000 that you gave before?—As exchange, but not loss by exchange. I am anxious to make that clear.

4417. (*Mr. Le Marchant.*) I think you have a definition in your statement of the phrase that you would use. You call it the number that has to be added; you expressly do not call it loss by exchange. It is very commonly called loss by exchange. I think that is misapprehension?—The column in the table of Revenue or Expenditure is headed simply "Exchange"; and the only case in which it is accurate to speak of the amount of the Exchange as a loss, or, as is more usual, a gain, is in respect of the entry under the heading "Exchange," in the group entitled "Miscellaneous." That is a real gain or loss.

4418. Will you read that particular definition?—"The column headed 'Exchange' shows, under the "several heads of Revenue and Expenditure, which "include transactions in England, the exchange "thereon calculated in accordance with the average "rate obtained for bills and telegraphic transfers "during the year; or, in other words, the number "necessary to be added to the figures of the trans-"actions in England, to turn the pounds sterling "into tens of rupees at the average rate of exchange."

4419. Then what is material, is the alteration from year to year of the number?—Yes.

4420. In the financial statement from India there is an analysis of the interest. Could you state that in brief form?—The account has been a little amplified during the last year or two, in order to make it clear what was the meaning of a minus quantity being entered as the interest on ordinary debt in India, and the manner in which it is now entered I think shows it clearly. The interest on debt is divided between India, England, and exchange, in the following way. These are the figures for 1896–97. Interest in India, Rx. 3,753,460; England, 3,825,177*l.*; Exchange, Rx. 2,527,806; total, Rx. 10,106,443. Then there is deducted the amount which is chargeable to railways and irrigation works, and it happens that, while in England and in exchange only a portion of the total charged is debitable to such works, in India the amount considerably exceeds the total charge for interest. The public works are held to be liable for interest on their debt to the extent of Rx. 5,126,880, and the consequence is that the remainder, which is chargeable on ordinary debt, is in India minus Rx. 1,373,420, while in England there is a charge of 2,630,704*l.* and exchange is Rx. 1,738,458, making a total of Rx. 2,995,742. That is the explanation of the manner in which interest on the ordinary debt in India as shown in the accounts is a minus quantity, the reason being that the portion charged to public works exceeds the total charge in India.

4421. (*Sir D. Barbour.*) It is a mere formal charge?—It is a formal charge in order to show how far outlay in India on public works keeps pace with the increase of debt.

4422. (*Mr. Le Marchant.*) In the result it appears to indicate that the interest chargeable against public works, productive public works, exceeds the charge for interest so far as that portion of the debt is concerned?—Yes; it only refers to railways and irrigation works.

4423. But those are treated as returning it. It is charged against their revenue?—Yes.

Adjourned.

NINTH DAY.

Monday, June 27th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.
MR. ROBERT CHALMERS, *Secretary*.

MR. THOMAS NORTH CHRISTIE and MR. WILLIAM MARTIN LEAKE called and examined.

Mr. T. N. Christie and Mr. W. M. Leake.

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4424. (*Chairman to Mr. Christie.*) What is your exact description?—I am a Ceylon tea estate proprietor, and I own property in Ceylon.

4425. Do you now reside in London?—Just at the present. I have just come back from the East.

4426. You are a Ceylon resident?—I am a Ceylon resident.

4427. (*To Mr. Leake.*) What is your description?—I am Secretary of the Ceylon Association in London.

4428. (*To Mr. Christie.*) How many years have you been engaged in the tea trade in Ceylon?—I have been in Ceylon 24 years.

4429. Has the tea trade in Ceylon been established for more than 24 years?—No, it is comparatively of recent growth. When I first went to Ceylon the staple product was coffee, and coffee having failed tea became the staple product.

4430. It is an industry which has grown very rapidly?—It has grown very rapidly.

4431. Can you give me any statistics as to its present position—the number of acres that are planted—and so forth?—The acreage is probably (including tea acreage that is not yielding crop) between 360,000 and 370,000 acres.

4432. What would be the amount of tea which those estates would produce?—The amount last year was about 116,000,000 lbs., and probably this year it will be a little over.

4433. What would be the export value of that?—The export value of that would be just now, on the average, 7*d.* per lb. landed in London. It is difficult to quote it in rupee currency.

4434. You can give it me in sterling?—The average of that landed in London would be about 7*d.* per lb.

4435. The currency of Ceylon is rupees?—It is the Indian rupee.

4436. And the Indian anna?—No. There is a local subsidiary decimal coinage.

4437. What is the next coin lower than the rupee?—The 50 cent piece (practically half a rupee) and the 25 cent piece, and the 10 cent piece.

4438. You take the rupee as consisting of 100 cents?—Yes.

4439. What is the smallest coin that you have?—We have some subsidiary copper which goes down, I think, to a half cent, but our smallest silver coin is 10 cents.

4440. That is one-tenth of the rupee?—One-tenth of the rupee.

4441. What was the position of the currency and exchange in Ceylon, and what was the position of the tea trade, prior to the closing of the mints in June 1893?—The position of the currency was exactly that of the currency of India as you might imagine, and the position of the tea trade was one of great prosperity.

4442. Prior to June 1893?—Prior to June 1893. I would not confine that to the tea trade simply; I would say the export business of the Colony generally. Tea, although the staple, is, of course, by no means the only industry.

4443. We had better, I think, take first the tea trade singly. You say in June 1893 the depreciation in the intrinsic value of the rupee and the fall of exchange had not acted prejudicially on the tea trade?—Quite the reverse.

4444. Will you explain to the Committee why the falling rupee and the fall of exchange was of advantage to the tea trade?—It was an advantage in this way. The prices of products that we grow, especially tea, are practically gold prices; they are based on their London selling value; and for a given sterling sum the producer received with a fall in exchange a larger number of rupees; he found that his expenditure practically hardly rose at all, and yet he received an augmented number of rupees and consequently benefited in proportion to the extra number of rupees that he received.

4445. In other words, I suppose he paid the same wages as he paid before, but owing to the fall in exchange he received a larger quantity of the currency in which the wages were paid?—Yes, if you assume that he was a wage-paying producer. Of course, there are many producers who are not wage-paying producers. If he was a wage-paying producer he found that the expense of production practically remained the same, and that he was receiving a larger number of rupees than he was receiving before for a similar sterling sale.

4446. Are the bulk of the growers exporters direct, or is there an intermediate merchant who buys the crop and exports it?—The bulk is shipped to London, but there is a considerable Colombo buying and selling business.

4447. The bulk of it is sent to London direct from the estate?—Yes.

4448. I suppose these estates are held, to a great extent, by companies, or are they in private hands?—I could not say off-hand what the proportion is. There are a large number of companies, but the bulk of the tea cultivating area is still held in private hands.

4449. Now, let us take it from the very beginning, and see what the operation is from the time of the

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laying out of the tea estate and its cultivation down to the export of the tea. What is the cost of labour during that period?—You can sum it all up by saying that it is coolie labour where the producer is a wage-paying producer.

4450. How is it when the producer is not a wage-paying producer?—There are native producers, ryots or peasants, who gather their own crop and pay no wages at all. They, of course, share equally with the wage-paying producer.

4451. Of the wage-paying producers, I suppose the great majority are the tea companies?—The tea companies and large individual planters.

4452. Now suppose we start with a tea estate, what is the first operation?—If you are beginning at the very beginning, you have to buy the land, and naturally the price of land for tea estates varies just as it would for any other production depending upon its situation and supposed fertility. Then, having bought the land, you have to clear it.

4453. That is labour?—That is labour. Then you have to plant it; that is labour again. You have to put up the necessary buildings and maintain it for about three years, and then you begin to get some crop. The moment the crop comes in you have to put up a factory and erect machinery in order to deal with it.

4454. Does that machinery come from England?—Almost entirely. Some of it is of local manufacture, but most of it comes from England.

4455. To pay for that machinery you have to remit rupees at gold price?—The cost of machinery is practically measured in gold.

4456. Is there much expense in the manipulation of the crop after it is gathered?—The chief item of expenditure with tea is the actual gathering. That costs more than any other single operation.

4457. Can you give us the percentage?—I should say it costs from 30 to 40 per cent. of the total.

4458. Then the crop being gathered and being made ready for the market, you ship it direct?—We ship it. As I say, there are a certain number of owners who prefer to sell in Colombo; but the great bulk of it is shipped direct.

4459. What interval elapses between the gathering and the sale of the crop?—Two to 2½ months, roughly.

4460. What is your harvest time? When is the tea gathered?—We have tea coming in all the year round; but our busiest season is April, May, and June, and again November and December.

4461. How was the tea trade affected in the first instance by the closing of the mints?—It was affected in direct proportion to the rupee being affected. When the mints were first closed, as you know, the effect was comparatively little, and it was only as the rupee went up that the evil influence was felt. When the rupee reached the vicinity of 1*s.* 4*d.* the falling off in the margin of profit became extremely serious; in a few cases it has practically disappeared altogether.

4462. Taking those estates where it has practically disappeared, what was their condition prior to the depreciation in the value of silver?—They were not in existence.

4463. You think the low rupee called them into existence?—I would hardly put it in that way; but the profit which could be got from tea cultivation brought estates naturally into existence.

4464. But has not the price of tea fallen?—The price of tea has fallen.

4465. Has that had no effect upon the profits?—Of course it has had an effect on the profits; but then a good deal of that fall in price may be traced to exchange too. The loss to the producer is not to be gauged only by the immediate loss which he makes in drawing a sterling draft, and getting a smaller number of rupees for it to-day than he got two years ago. That is his first and direct loss; but in addition to that, there is one that is equally serious, and that is, that owing to the premium which our great rivals get in countries that have a bullion currency, or, in the case of Japan, a country that has almost a bullion currency, they are enabled now to put tea on the markets that we were attacking and conquering, they are enabled to put that tea on those markets at an extremely low rate which we cannot compete against. Out of our last year's crop of 116,000,000 lbs., probably another 4,000,000 or 5,000,000 would have gone to consumers on the Continent, and in America and Canada; but we were kept out of those markets by the ability of the Chinese to put in a decent tea at say 4*d.* a lb., which we could not compete against. Had we been on even terms of exchange, that would not have happened; we should have been able to put our tea into those markets, and probably relieved the English market of 4,000,000 or 5,000,000, with the result that we would have been able to maintain prices.

4466. Can you give us the prices of tea in the different years?—They have all been put in tabular form here.

4467. Will you just read them out now? Go back to the date when Mr. Goschen reduced the duty?—The gold price and the silver price, of course do not follow.

4468. No. You say practically you sell in the London market at a gold price?—That is the standard which fixes it.

4469. I suppose I may take it that England is your great market?—England is our greatest market.

4470. Now will you give me the prices?—In 1883 the price of Ceylon tea was a little over 15*d.*; in 1884 it was a little below 15*d.*; in 1885 it went up again to above 15*d.*; in 1886 it dropped to a little above 13*d.*; in 1887 it was at 13*d.*; in 1888 it went down to 11½*d.*; in 1889 it was at 10¾*d.*; in 1890 it was at the same; in 1891 it was at 10*d.*

4471. 1891 was a year of very low exchange, was it not, and the situation became very acute?—No.

4472. At any rate in 1892 it had?—No, we had a run up then. In 1892 it was 9½*d.*; that was a very much lower exchange than the previous year. Then in 1893 it was at 9*d.*

4473. That was the year of the closing of the mints?—Yes. Exchange in 1893 was practically the same as in 1892. Then in 1894 the price of Ceylon tea was 8¾*d.*; in 1895, a shade higher; in 1896, 8¼*d.*; in 1897, 7¾*d.*

4474. That is the lowest?—That is the lowest. Then for the first 16 weeks of 1898 there has been a slight rise.

4475. (*Sir F. Mowatt.*) Is there anything peculiar about those weeks; is there anything peculiar in that part of the year to explain the rise?—No, I think not. The crop has been a little short this year.

4476. (*Chairman.*) During this last few years has not your export very largely increased?—Yes, it has very largely increased.

4477. Will you give us the figures?—Will you have the imports into London, or the exports from the Colony?

4478. I would rather have the exports from the Colony, because that covers the whole field. Will you start with the same year 1883?—It may be said that 1883 was just the beginning of the enterprise. There was about 1,000,000 lbs. only in that year.

4479. 1,000,000 lbs. exported altogether?—Altogether.

4480. (*Lord Balfour of Burleigh.*) Are you sure of that figure?—It was 1,641,810 lbs. That was the exact quantity in 1883.

4481. Where is that figure taken from. It does not correspond with the figures given in the Statistical Abstract?—Do you refer to a Ceylon Statistical Abstract?

4482. The Statistical Abstract of the United Kingdom gives the exports of tea from Ceylon at 1,666,423 lbs.?—There is a difference of 20,000 lbs. I should be more inclined to place confidence in Ceylon figures than in a British compilation. Of course there is the chance that this may account for

the difference between the two. We export a considerable quantity eastwards to Australia, and also to the Continent.

4483. (*Chairman.*) You are now giving the total exports of tea?—Yes.

4484. If you have the exports to Great Britain and Ireland will you give us the figurus?—Unfortunately the statement I have here gives the beginning and the end in exact figures, but the rest is in the form of a diagram, and it is not quite possible to be accurate over a diagram.

4485. (*To Mr. W. M. Leake.*) Let me read you the figures from the document to which Lord Balfour was referring. The entire export of tea, including all you sent out in 1883, was 1,666,423 lbs.?—Yes, that is approximately the same. We do not quite agree.

4486. Then the next year it was 2,393,023 lbs.?—Right.

4487. In 1885 it was 4,373,754 lbs.?—Yes.

4488. In 1886 it was 7,851,562 lbs.?—We make it just over 8,000,000 lbs.

4489. Then in 1887 it was 13,824,701 lbs.?—Yes.

4490. In 1888 it was 23,820,724 lbs.?—Yes.

4491. It was a pretty high rupee in 1888, I think?—The exchange in 1888 was 1*s.* 4½*d.*, about.

4492. Then in 1889 it jumped up another 10,000,000 lbs. to 34,000,000 lbs.?—Yes.

4493. In 1890 it was 45,790,000?—Yes.

4494. In 1891, 67,721,000?—We make it just over 68,000,000.

4495. In 1892 it was 72,280,000?—Right.

4496. In 1893 it was 82,260,000?—We make it just 84,000,000.

4497. In 1894 it was 83,376,000?—Yes.

4498. In 1895 it was 98,581,000?—Yes.

4499. And in 1896 (when the exchange, I suppose, was very low) it reached 110,095,000 lbs.?—That is so. Then in 1897 we have 116,054,507 lbs.

4500. I suppose the first 16 weeks of 1898 will indicate an equally large product?—I have the shipments that came to-day. The total exports this year, from the 1st January to the 7th June, are 50,940,576 lbs., against, last year, 50,815,329 lbs.—practically stationary.

4501. (*To Mr. Christie.*) Is it your opinion that the bullion silver currency coupled with the fall in the rate of exchange has been for the benefit of the Ceylon tea-planters?—Yes.

4502. You consider the present action of the Government of India in closing the mints is not advantageous to the general interests of Ceylon?—No, it is disadvantageous.

4503. Do you consider that there has been any re-adjustment of the local salaries, wages, and prices to the altered value of the rupee?—They have not required re-adjustment, and, practically, there has been none.

4504. You mean the rate of wages was the same when the rupee was 1*s.* 4*d.* as when it was 1*s.* 1*d.*?—Yes. There has been no re-adjustment, or practically no re-adjustment, because no re-adjustment was required. The local purchasing power of the rupee, the local cost of living, has practically remained the same, and, consequently, during the last 20 years, or the last 24 years, when the rupee has been falling, the rate of wages has not varied; the rate of wages paid to-day is the same as the rate that was paid in Ceylon when I went out there. Where employers have been extremely prosperous, as we were at one time, some benefit, of course, filtered through to the labourers. If you are very prosperous you are able to give your labourers little advantages and benefits which you cannot give them if you are wanting in prosperity; but the rate of wages has remained the same, and the cost of living has practically remained the same, since I went to Ceylon.

4505. And the paying of wages in depreciated currency has not affected its remuneration value to the labourer?—The paying of wages in a currency which has not depreciated locally, but which has depreciated in relation to gold, has not necessitated any change.

4506. You say it has not depreciated locally?—I would rather maintain that it has not depreciated at all. It has proved to be a very stable measure of value except in relation to gold.

4507. But the loss to the tea trade as a trade has been a loss to the producer and to the capitalist and not to the labourer, to the ordinary working man?—No, he will only suffer by the want of our prosperity in the way any other employé employed in an unprofitable industry would suffer. The number of coolies would gradually be curtailed, the ability of the employer to give them any little advantages would be decreased, and so on. They have got more prosperous with our prosperity, and undoubtedly they will get less prosperous with our want of prosperity.

4508. Can you give the Committee any idea of the percentage of profit that has been made on the capital employed during these years when there have been these enormous leaps and bounds?—It would be extremely difficult to do that. If you take capital value as the capital value at which the estates have been transferred to companies, it is totally different from what it would be if you take the cost capital value of an estate in private hands. I can tell you roughly what it costs to open an estate per acre; and I can also tell you roughly what these tea estates have been selling at during the past few years.

4509. Will you tell the Committee that?—You can roughly bring a tea estate into bearing, to a self-supporting age, at about 300 rupees per acre.

4510. (*Sir F. Mowatt.*) Is that the entire expense for the three years?—Not including interest on money during the period of waiting. Of course, there are fancy bits of land which would almost cost that as waste land; but speaking generally and roughly most of the land now in cultivation could have been brought to a self-supporting age for about 300 rupees per acre.

4511. (*Chairman.*) That would, of course, take you back to the time when exchange was 1*s.* 4½*d.*, or more?—I cannot say that the exchange has made much difference in the cost of opening. The only thing which the exchange effects in the cost of developing a tea estate is the machinery and some building material that comes from Europe. That has generally tended to go up naturally with the rupee.

4512. That is the cost of starting. Now, what is your next capital cost?—You have comparatively no further capital cost.

4513. But you do not tell us the estimated cost per acre of machinery and buildings?—The estimated cost would be about 5*l.* an acre.

4514. That has to be added to the 300 rupees per acre?—If you add on another 60 or 70 rupees you will cover all that.

4515. In round figures shall we say 400 rupees per acre?—That would be a very ample sum.

4516. What crop would an acre be expected to produce?—On the average it would be 420 lbs. of made tea per acre.

4517. That is gross. What would be the working expenses on that?—That varies very much. In the low country districts, where you get a poorer quality of tea, you get a bigger yield, and a great many of the expenses are less, your transport is much less, and you may take it that a low country tea can be produced at from 22 to 24 cents per lb., once you have the estate in working order allowing nothing for depreciation. In the case of a hill garden where your yield, other things being equal, is rather less, and the cost of production is rather more, it would be about 26 to 27 cents per lb., excluding any sum for interest or depreciation.

4518. (*Sir F. Mowatt.*) That would be 4 lbs. to the rupee?—That is sufficiently approximate.

4519. (*Chairman.*) You get, say, 400 lbs. to the acre; that would be 100 rupees on a capital outlay of 460 rupees; that is 25 per cent. Now, what are

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the working expenses?—You have the working expenses entirely when you put 4 lbs. to the rupee, that is excluding interest on money or depreciation.

4520. Is the depreciation much?—The depreciation in the buildings and machinery are roughly taken at about six years' purchase. The depreciation in the body of the estate we have no means of arriving at; we do not know yet whether tea will continue to produce profitably for 50 or 100 years. We have no tea in the island more than about 25 or 30 years old, and we do not know yet at what age it may cease to be remunerative.

4521. (*Sir F. Mowatt.*) Does that mean that a tea garden goes on bearing for 25 years?—Certainly. In China and Japun it is known to have gone on bearing for almost centuries. How long it may go on with us we do not know.

4522. (*Chairman.*) What do you consider in round figures the capital—never mind whether you say that the estates have been sold and resold again—but what, in round figures, is the capital now invested in the Ceylon tea trade; the whole invested capital?—That is a very difficult thing to say. If I had gone back two years ago I should have valued the tea estates of Ceylon as being worth about 800 to 1,000 rupees an acre. If I was to value them roughly to-day I should certainly have to knock off 30 or 33 per cent. from that. An estate is no longer saleable at a price that could have been easily got two and a half years ago. Speaking roughly, the total capital value has been put down at 15,000,000*l.* sterling.

4523. I do not know what 1897 shows, but the value of your exports of tea in 1896 was 2,505,813*l.*; that is 110,000,000 pounds. That shows that there has been a great fall in price, because the year before the quantity of the exports was less by 12,000,000 pounds, but the value was greater by 200,000*l.*?—I can hardly answer a question of that kind without knowing how the valuation has been arrived at.

4524. This is an official document from the Government of Ceylon?—I would not put absolute reliance in a Government of Ceylon Customs valuation. We have found that they have been very erroneous, and in many cases their figures require correction. As an instance of inaccuracy I may mention that Government returns show an adverse balance of trade, practically a loss, during the last quarter of a century. Yet we know that that is not the true state of the case. When the Ceylon Currency Commission inquired into that point they satisfied themselves that the figures were quite wrong, and instead of an adverse balance, there was a very large balance in favour of the colony. Let me give you one item in which we discovered that they were wrong. Take the case of coal. Coal arrived in Ceylon on bill of lading, and was all entered to imports; the same coal went out in ships' bunkers and was never entered on the exports at all; so that going through the Government returns with local knowledge you find that the basis of the valuation is wrong. We have found that the Custom House Department sometimes deliberately valued wrongly in order to maintain a fair comparison with previous years.

4525. We will not go into the general comparison, but we will confine ourselves to tea. These figures seem perfectly correct.

(*Mr. Leake.*) Yes, the figures of the exports are practically the same.

4526. (*Chairman* to Mr. Christie.) Then we may take the value of the exports in 1896 at 2½ million pounds sterling. You gave us rather a higher figure, I think?—I do not for a minute wish to do anything other than not off-hand to commit myself to a valuation by saying that that is right or that it is wrong.

4527. What I am leading up to is this, I want to see what is the estimated value on any basis that you choose to take of the Ceylon tea trade capital. I want to know what is the cost of utilising that capital, and what is the net profit remaining. We will not talk about the distribution of the profit. We start with this figure, that about 110,000,000 lbs. of the article produces in London 2,500,000*l.* sterling in gold. Now, you said that two years ago you would put the capital value—that is with the unearned increment upon it—of the Ceylon tea trade at 15,000,000*l.*?—Yes.

4528. 15,000,000*l.* at 5 per cent. would be 750,000*l.*?—Yes.

4529. I want to see how much of that 2,500,000*l.* was profit?—Another factor comes in at once, which prevents one being even approximate in such a calculation. The 15,000,000*l.* sterling, at which the tea estates are estimated as being worth, includes a very large area that is not in bearing, and that the date you quote the figures are not given in the return. It is very difficult to deal with averages in the case of a product that has gone on expanding, so to speak, and when you have 10 or 15 per cent. of the total acreage still giving no return it is difficult to calculate the real profit from the aggregate figures that are given in that return.

4530. Can you tell us what are the average dividends that have been paid from the last 10 years by the Ceylon tea companies?—The companies that started eight or 10 years ago and paid the then existing rates and opened the lands themselves have paid, I should think, on an average 12 to 15 per cent., but there were comparatively few of them. The great rush of English capital into Ceylon and the formation of companies took place within the last three or four years, and they bought at much more enhanced acreage values, and I do not think that such companies have so far averaged more than 6 or 7 per cent.

4531. That is including the increased sum they have had to give?—Yes, they have all fallen this last year. In one or two cases they have declared no dividend at all, and in almost every instance they have fallen considerably.

4532. Do you consider that the present uncertainty of the exchange value of the rupee is desirable or undesirable in the interests of the Ceylon trade?—It is extremely undesirable that its relation with our rival bullion currency countries should remain uncertain. I do not attach very great importance to there being an element of uncertainty between the silver value and its gold exchange.

4533. That is assuming that it is always a falling exchange?—No, not necessarily so.

4534. Does not it disturb your calculations and your transactions to have at one period of the year a high exchange, and at another period of the year a low exchange?—It does not disturb it more than the market fluctuation does. At one season of the year we have a higher market rate, and at another season of the year we have a lower market rate. The exchange fluctuation has never, so far as I am aware, affected the Ceylon trade more than just an ordinary market fluctuation would.

4535. What do you desire should be done now with reference to the currency, that it should remain as it is?—No. Remaining as it is would strangle the producing interests, not tea only but the producing interests of Ceylon.

4536. But I understood you just now to say that trade was not affected by the rise or fall of exchange?—I did not gather that.

4537. I understood you to say that it was a matter totally outside?—Then I must have been totally misunderstood. What I meant was that as regards an inconvenience from a movement in exchange there was no more inconvenience from a movement in exchange than from an ordinary fluctuation of the market. Suppose the market fell say 2*d.* a lb., our tea industry would suffer similarly with other things; and, on the other hand, if a rise comes on there is a time of prosperity. The fluctuations of gold and silver would not affect us except in the same way.

4538. I do not quite follow that. I can understand that if your tea went down 2*d.* a lb. it would be, no doubt, a very serious blow to the tea trade, but I want to see how it would be a serious blow by the fall in exchange as between London and Ceylon.

You start with this fact that your transactions are entirely on a gold basis and you sell in London?—No, the price of our Ceylon produce generally is undoubtedly on a gold basis, but our transactions are chiefly silver. We sell in a gold market and we produce for another country where the currency has been silver, and with a low exchange we have received a larger number of rupees and our margin of profit has been greater.

4539. I quite see that, but do you wish us to understand that the margin of profit in your tea trade entirely depends, or in the main depends, on your getting more rupees for the sovereign?—I do not put it as baldly as that; it is relative. If the market price went up 6*d.*, that would be a factor that would quite preponderate over a rise in exchange of 1*d.* or 2*d.*, but at the present moment the increase in the gold value of the rupee, above the lowest point that it has reached, has very seriously handicapped all the producing interests; It has knocked down profits directly. Then, of course, there is the indirect, and hardly less serious, and probably much more permanent influence, of the bullion silver currency countries getting this premium on all articles either of agricultural production or minerals or manufactures in which India and Ceylon are competing against them.

4540. I do not want you to go to India, we have the concrete case before us of the tea trade of Ceylon, and I want to deal with that alone. As I understand, we have had an increased production in Ceylon?—Yes.

4541. We have had a decreased purchase of tea in this country from China. Your market in England is increasing year by year and month by month. You sent more tea last year to Great Britain than you ever did before, and, I think, China sent less?—Very little less.

4542. I am old enough to remember when the proportions as between India and Ceylon and China were 80 and 20, now I think it has turned gradually round, and in round figures the production from India and Ceylon is about 89 per cent. of the whole?—It is about nine-tenths.

4543. With China your completition is increasing. You are having more and more year by year the command of the market?—No, it is not that. Up to the closing of the mints we were on even terms with China, and we drove China practically out of the English market.

4544. I am at this moment upon quantity not upon value. I may be right or I may be wrong, and I want you to correct me if I am wrong, but my point is this, that the quantity of tea from Ceylon is increasing and has increased since the closing of the mints, and that the quantity from China has decreased and is decreasing. Am I right or wrong in that?—You are right; but it is certainly not the case that either of those conditions has been effected to any extent by the closing of the mints.

4545. The closing of the mints has not aggravated your competition?—Oh, yes, greatly.

4546. I want you to show us how. Let us take the two concrete cases, China and Great Britain. Great Britain buys from you more than she buys from China. Why? Because you sell the best article at the lowest price?—Yes, I should think that is it.

4547. Then you have the upper hand of China in that respect?—No, not necessarily. The consumer, I think, might consider that he would now get better value for his money when China is offering at 4*d.* and ours at 6½*d.* He may have thought so when China sold at a higher rate relatively; but when China tea can go down and we cannot, we must suffer. But I do not fear for the English market to any great extent. We shall keep China out of the English market now because we have driven her out. We have disturbed the usual lines of trade as regards England and China, and one does not fear that unless something serious happens to British grown teas, China can ever again re-assert herself in England. But our great and increasing production hoped to find a number of other markets where China has an enormous hold, and we had expected, and I think with some justification, that if we competed with them on even terms we should have done very much the same in those other markets as we did in the English market—to the detriment of China and Japan, no doubt, but to the benefit of our Colony and therefore of Great Britain. The exports from China to the United States and Canada are still over 50,000,000 lbs. We have made comparatively little progress there. During the last year we have made very little impression. Yet we are dealing with English-speaking people, people in intimate relations with ourselves, and we say our progress ought to have been very much greater. What is the reason of our failure? China can put her tea into those countries at 3½*d.* or 3¾*d.* a lb., and we cannot do the same, and consequently the consumers there consider that they get better value for their money. They do not necessarily consider that China tea is better than Ceylon tea, but at the price at which the two can be offered to them they think they are getting better value for their money. The same thing applies to Russia. The export from China to Odessa only, not counting what goes through London, which is a very large quantity, is 22,000,000 lbs. We have made very little progess there during the last couple of years.

4548. (*Sir F. Mowatt.*) Do you know what Ceylon exports to Odessa?—It has been a very jumping export. The year before last it was only 760,000 lbs., and last year it was, I should say at a guess, 1,600,000 lbs.

4549. (*Chairman.*) Has not the supply something to do with that? At the present time could the present Ceylon estates supply the large quantity that they do supply to Great Britain, and also supply the American and Russian market?—At the present moment British grown tea could not provide tea for the whole of the civilized world. Of course we never expected to push China tea out in one year. It took us 10 years of steady fighting to do that in England.

4550. Does not England now take practically the whole of your production?—No.

4551. How much does she take?—I should think this year the Ceylon tea sent to outside markets would probably aggregate at least 15,000,000 lbs. We supply about 50 per cent. of the tea consumed in Australia, and there again but for the competition that China is now able to hold we would have pushed in more there; but China tea is poured into Australia at under 4*d.* a lb., and we cannot push it out there, unless we accept a price that would be a ruinously low one.

4552. But what I cannot understand is this. I can understand your argument with reference to Australia and America, but I cannot understand why that argument does not apply to Great Britain. There is the same discrepancy of price. The Chinese grower can sell his tea here at 4*d.*, and you cannot sell yours under 7*d.*, and yet you are ousting the Chinaman altogether in the dearest market of the world?—We had ousted him.

4553. Does that make any difference?—When you have once broken the back of a business like the China tea trade to England for English consumption, it is difficult for it to rise again.

4554. Not with such an enormous discrepancy as nearly 100 per cent. on the price?—People have got accustomed to one thing, and they will not go back to the other. I may say that we only retain the English market now by accepting a very low price.

(*Sir A. Dent.*) May I say, Mr. Chairman, that you are talking as if all China tea was sold at 4*d.* a lb. There is a great deal of China tea sold at 9*d.*, 1*s.* and 2*s.*

4555. (*Chairman.*) I am expressing no opinion about it. I am simply pointing out that China appears to be ousting you in America, and the reason of that you say is that they can sell cheaper than you

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can?—We are failing to oust them. They are in possession of the field.

(*Chairman.*) Very well; we will take it in that way.

(*Sir J. Muir.*) That is the correct way to put it, I think.

4556. (*Chairman.*) Will you tell me the difference in price between America and this country?—Wholesale it is just the same as here; retail it is much cheaper, because there is no duty.

4557. Is there not a customs duty on tea in America?—No. The finding of the Ceylon Currency Commission is one I wholly agree with on the point we have just been discussing.

4558. Then will you read it to us?—"Ceylon tea "is produced solely for export, and it is not im- "probable that its production would be continued "for a considerable time, in spite of almost any fall "in price; and the effect of this exchange premium "in China's favour would therefore be manifested less "by any remarkable increase in the export of China "tea or displacement of Ceylon tea than by a pro- "longed reduction in the price of tea to a figure "which was so low as to prevent Chinese growers, "even with a premium of, say, 1½*d.* or 2*d.* per lb. in "their favour, exporting with profit. It is impossible "to forecast or give any trustworthy opinion on the "extent of the injury likely to be done to Ceylon "tea and other products competing with similar "products grown in silver currency countries, as the "extent of the injury hinges on the extent of the "divergence in rupee values before referred to; but "there is no doubt that if the divergence were large, "these Ceylon products would only retain their "markets by accepting prices so low as to seriously "impede the prosperity of the largest producing "classes in the island." At the time that that was written by the Ceylon Commission it was rather a prophecy; but it has proved to be so entirely true, that we have only maintained our markets by accepting a low and almost unremunerative price.

4559. Is this rise in the value of the rupee affecting the flow of capital into Ceylon?—It has led to the withdrawal of capital from Ceylon.

4560. How has that been done?—Two influences are at work, one is the feeling of uncertainty—the desire to take advantage of a higher rate, to remove capital. That is one influence which has led to capital being taken out of the Colony. The other is the feeling on the part of those who are mixed up with Ceylon matters, that a permanent 1*s.* 4*d.* rupee would permanently mean the crippling of the trade and the diminution of profit, and their desire to get their capital out of the country before the situation was realized by the public generally.

4561. Anyhow, the effect has been in your opinion that capital has been sent home?—Undoubtedly.

4562. And there is a fall in the value of tea estates?—A great fall in the value of tea estates.

4563. And a fall in the value of the shares of the tea companies?—A great fall.

4564. And a fall in the dividend paid by the companies?—Yes.

4565. Are you in favour of establishing a gold standard in India?—The difficulty of answering a question like that, yes or no, is to know what is behind the gold standard. If a gold standard could be achieved at a rate which was, and which eventually proved to be about equal to that of silver, if the rate of exchange proved to be (which is practically an impossibility) the same as that of silver, one would have no objection to a gold standard. But when a gold standard has behind it the artificial raising of the rupee and the undoubted fact that it does not affect China or our rivals at all, I think the establishment of a gold standard which artificially raises the rupee would be extremely injurious.

4566. Your objection to it is upon the ratio, not upon the principle?—I would establish for every country whatever is found to be the best standard for the circumstance of that particular country. I cannot imagine that there is any magic in gold, silver, or copper. If it was proved that for the people of India a gold standard or any other metal would be best, I would say take that standard. There cannot be any particular magic in one metal over another.

4567. There is such a thing as a difference in its market value in the markets of the world?—But if you pre-suppose that the standard you select is the one that is the best for the circumstances of the country and the people of the country, I cannot see that it is really a matter of any importance what metal you take.

4568. You mean internally?—A currency is only a means towards an end.

4569. But suppose 80 per cent. of the trade of India and Ceylon is with gold-using countries, would that modify your opinion at all?—No. Of course I am at a disadvantage in giving you a straightforward answer to that, because I do not know what the ratio would be.

4570. No one knows that at present; but what I understand you to say is this, that you object to a gold standard if it is based, as you say, upon an artificial raising of the rupee?—That is the chief objection.

4571. For instance, supposing there was a gold standard introduced into India on the principle, say, of 20 rupees to the sovereign, as there are 20 shillings to the sovereign here?—Would you see any objection to that?—I see no objection to that as long as the silver value of the rupee remained the same. I would see ultimate evil to India if the dollar or the tael went down another 30 per cent., and you were still anchored on to what turned out to be an obsolete ratio.

4572. Then are we to understand from you that your Associations desire that the mints should be re-opened under the old conditions?—I may say as regards my representative capacity that I represent the Chamber of Commerce of Ceylon, and the Planter's Association of Ceylon, and the Government of Ceylon were desirous that I should represent the views of the country generally. Speaking on behalf of all these people I say that we desire the currency that is best for the people, and that we believe a silver bullion value currency was the best. My own personal feeling is that a reversion to that now would be rather revolutionary. I strongly advocated a silver bullion currency as being the best and most suitable method for a country like Ceylon and India; but I hesitate to unqualifiedly advise the re-opening of the mints. I think they might be opened with qualifications. One essential is that the people even at a slight cost should be able to get currency when they require it. At present they cannot. If you re-open the mints with certain qualifications which might bring in profit to the Government and might incidentally even keep the rupee above its bullion value, you will provide the people with a means of getting currency when they want it. They might have to pay a 1*d.* or 2*d.* per rupee more than they should have to pay, but, still, they can get currency when required. It will have the advantage of linking you to silver, though at a distance, and no longer give China or Japan — China chiefly—any further advantage. You would know the worst as regards the competition you had to deal with. If you put an artificial value on the rupee with a charge for seignorage or an import duty of 2*d.*, you would know that China had always as much as 2*d.* advantage and no more; if silver fell that advantage to China would not further increase. That would remove one great objection to this artificial currency. I would much rather have a bullion currency, and the mints open unqualifiedly, than the present state of affairs.

4573. Even if silver went down to 6*d.* an ounce?—Even if silver went down 6*d.* an ounce, or if it went up half as much again.

4574. (*Lord Balfour of Burleigh.*) I do not quite understand the opening part of your memorandum. Have you any complaint to make of the action of the Government of India in connexion with currency

matters?—It is difficult to say that one has any complaint. Ceylon voluntarily at some past period was linked to India, and took to the Indian currency. The Indian Government was in no way to blame for the fact that Ceylon used the Indian currency, and when the Indian Government wished to alter their currency, that was a factor that they were hardly called upon to consider. It was a sort of hardship; we were forced into the currency changes which were brought about, and in which we were allowed no voice.

4575. Then taking the position of matters at which we have arrived, have you any definite recommendation to put before us—any substantive proposals to make?—I recommend the re-opening of the mints with qualifications.

4576. Will you indicate what qualifications you mean?—In order to make the re-opening less revolutionary, I would put an import duty on silver, and a seignorage on the coining and minting of the rupee, making each of these charges practically equal one to the other.

4577. Would you develop that a little further for me, and say how much duty and how much seignorage you would impose. I understand you to say that both of these devices are to be used together?—Yes, if you put it all on the seignorage, you give a great temptation to false coinage, and if you put it all on import duty, you unfairly raise the value of silver in the country, and you would, for some time at any rate, fail to give much benefit to the Government; the Government would make no profit out of the mintage.

4578. For what it is worth (which I express no opinion upon), you would not raise the value of silver beyond what people had given for it when they purchased it, in all probability?—I do not quite follow that.

4579. If it is the case, as no doubt it is, that large quantities of silver have been hoarded in India for years, that silver must have been obtained at a time when the ratio of value was nearer the gold than it is at present?—It was not obtained for gold, it was obtained for produce, and unless you could go back (which you cannot) to the rates of produce of the days when these accumulations began, you cannot make any comparison.

4580. The silver was obtained, but whether the sacrifice was made in gold or in produce, to get the silver required a greater sacrifice we may say, than it would do at the present time?—I could not say that that would be the case.

4581. I will not follow that out further, because it does not seem to me to be very material; but I want to get from you exactly your view as to the relative amount of import duty and of seignorage?—I would make them equal. Instead of having a seignorage 2*d.*, or an import duty of 2*d.*, I would put down 1*d.* for each.

4582. Do you think that in advocating that you are a representative Witness of your Chamber of Commerce?—I cannot say that I put the matter exactly before the Chamber of Commerce, I can only say that the Chamber of Commerce would prefer that to the present state of affiairs.

4583. Has either of those proposals been discussed publicly in Ceylon, or ventilated in any way, so that others outside your Chamber of Commerce, or others having different interests to those of the Chamber might have an opportunity of expressing an opinion?—The whole currency question, of course, excited great attention at the time of the closing of the mints, and various proposals have been considered. We are in intimate geographical connexion with India, we employ many of the natives of India, and generally we take great interest in the goings on in India, and those who are interested will have seen the various proposals that have been made, and so far as I know, there has been no objection to such a proposal. I cannot say that the Chamber of Commerce in Colombo, or the Planters' Association have formally adopted it, but they have not objected. My own experience in Ceylon is considerable. I own property out there, I have sat in the Legislative Council for a good many years, and, speaking generally, I think that such a scheme would be acceptable.

4584. You obviously know a good many things about it that I do not know, and perhaps I ought to know, but let me ask you this, would the geographical situation of Ceylon, and its being an island, have any bearing in your mind upon the question, whether a duty on silver would be easy to enforce or not?—That, of course, is one reason why I prefer to halve the charges. There is no getting out of the seignorage, at all events. A certain amount of silver—it would certainly be a very little—might be smuggled in on the arrival of passengers, but it would be very small; no appreciable quantity would be brought in.

4585. As far as preventive agency is concerned, would the imposition of a seignorage or the prevention of smuggling be the easier?—We need not go into that question because under no circumstances is it suggested that Ceylon should mint rupees. We hang on the Indian currency, and should not mint rupees so that it would not be necessary as regards Celyon to have an import duty or anything of the kind.

4586. Would you agree with me if I suggested to you that part of the drop in price from which tea has been suffering recently was due to over-production?—Yes, I would agree with you that the fall in prices was due to the supply being greater than the demand. Of course, I go on a step further and say that the supply to these markets would not have been so overwhelmingly great if we could have forced our tea as we expected to be able to do into America and the Continent.

4587. Do you know in your commercial experience any trade that has developed with the rapidity that the Ceylon tea trade has developed in the last few years?—That is difficult to answer off-hand, but I may say that the spinning and weaving industry in China has developed I should think at about the same rate. Then I would instance the development of the petroleum industry.

4588. Can you tell us what was the percentage of the increase between 1882 and 1886?—For a good many years, roughly, we went on adding about 40 or 45 per cent. to our previous year's trade.

4589. It is about 1,100 per cent. larger now in the case of tea than in 1882?—It was created then; it was just started.

4590. Practically, as we all know, it has taken the place of coffee?—Yes.

4591. And I think you are entitled to say (I thought, indeed, that it would probably have been your answer) that, but for the failure of coffee it would not have been possible to develop tea at this rate?—Had coffee remained profitable much of the land that is now in tea would have remained in coffee.

4592. The wages have not increased in number of rupees paid according to the variations of exchange in Ceylon?—No, they have not increased.

4593. You think the labourer has gained in two ways as I understand; by the cheapening of some things that he uses, and by greater privileges being giving him by the employers?—Yes. I should explain that it is the common custom on estates, almost the invariable custom, to supply rice at a set rate, and that consequently a rise in the price of rice does not affect the labourer. The loss, if any, falls on the employer.

4594. Has there been a rise in rice?—Last year there was, of course, owing to the Indian famine.

4595. I want to estimate the position of the labourer in any of the earlier years—I will take 1882, 1883, or 1884—and 1894 or 1895, before the famine in India. Could you show at all in what particular ways his condition would be benefited?—Of course his condition has benefited by the extension of our railways and our means of transport. Undoubtedly some of his supplies would have gone up in cost had the means of communication not been greatly improved. Then his

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material condition has been greatly improved owing to greatly increased and much more efficient medical and hospital attendance. We have an elaborate system of district hospitals and medical attendance.

4596. For which he pays nothing?—For which he pays nothing.

4597. Does he use to any appreciable extent articles which are imported into Ceylon?—Yes he uses almost entirely imported articles, but the bulk of them come from India, so that the currency change does not affect them. During the last few years to some extent his cotton goods have come from a local mill, but that has collapsed in the course of the last few months, and now those goods will no doubt be drawn from the Far East or from England. But the fall in gold price has more than counterbalanced the difference in exchange there. The one index of the labourer's prosperity is really the number of days that he works in the month, and we find that a labourer there is an industrious man if he works 20 days in the month; the average do not do that.

4598. But does he work more or less number of days now than he did 10 years ago?—The man works less; it is due to the fact that he makes his wife and daughters work and aid him, but the man undoubtedly works less.

4599. I was not confining my question to the individual man; I would rather find out what was the condition of the man and his belongings?—They are better off. The wage-earning capacity of a family working on a tea garden is greater than it was working on a coffee plantation. The children can pluck tea leaf, which is an extremely easy and congenial employment, and they could not do that in the case of coffee.

4600. Then the change in that respect in the way of increased leisure, if I may so call it, of the labourer arises from the change in the staple article from coffee to tea?—As regards the aggregate families' earnings, it is so, but the man himself is just as industrious, or rather the reverse of industrious, as he was 20 years ago.

4601. Suppose, now, with your experience, you wanted to employ a test to find out whether the labourer and his family were or were not better off now than they were 20 years ago, what test would you apply?—I should apply a good many tests. One great test is the stream of immigration. Practically, all our resident labourers are Indian immigrants from Southern India, and if there is the least adverse influence the stream turns, and they go back to India. If they are prospering and well to do, the stream increases to Ceylon, and we have found in recent years that the stream has reached the maximum. We have never had such a stream before as we have now. Of course, I am not speaking of the famine years.

4602. It is a purely natural stream both ways, is it not?—It is natural in the sense that we have no indentures. It is absolutely voluntary. It is aided by our Government having an immigration staff and attending to the immigrants, carrying them on the railways at lower rates, and so on; but it is purely voluntary. There is no indenturing, or anything of that kind.

4603. What other test would you apply, because I conceive that it might occur—I do not say it does—but it might occur that if there were an increase of adverse circumstances in the place from which the people were coming, the relative advantages of another place might tempt them?—Quite so, and in the famine years in India that has no doubt been the case. Then I may say that on the up-country railways the number of third-class passengers has enormously increased, showing that the people are able to afford to travel. Then, again, our up-country arrack revenues have increased.

4604. That is a local product?—Arrack is a local product. It is a product of some small export too. It is a spirit distilled from the cocoa nut palm.

4605. (*Sir F. Mowatt.*) You have said that the alteration in the purchasing value of the rupee does affect the tea planter and the expense of tea gardens. You have given us some items of which the expenditure consists, and I should just like to ask about one or two of them that I did not quite clearly understand. In the purchase of land now to be taken for tea growing, has the price increased for the last 10 years?—The price of waste land has increased, owing to the scarcity of suitable land for tea, and the demand being great.

4606. In the buildings required for your gardens, the materials to some extent are imported, I think?—In some cases. If your land is forest land, you have an ample supply of timber on it, and most of your buildings are timber. If you have not, you probably buy iron roofing, which comes from Europe. In erecting a factory you might buy iron girders, and so on.

4607. And your machinery?—Your machinery is to a very great extent English.

4608. Then with regard to your superintendence; have you European factors?—You have European managers and assistants.

4609. Their wages, I should assume, are affected?—No, they are all paid in rupees.

4610. But you do not get a man from England for the same rate when the rupee is low as you do when the rupee is high?—Yes you do. As a matter of fact, there are far more men offering than there are places for. The change in the gold value of the rupee has not affected it. With greater prosperity and the greater opening up of land, there was a greater demand for competent managers and competent assistants. Now, during the last six or eight months, the reverse process has set in. There are a great many establishments being reduced, and salaries being reduced, merely owing to the want of prosperity.

4611. You say that the general prices in Ceylon have not since 1893 risen?—No.

4612. That is not quite consistent, is it, with your Currency Commissioners' Report. They say, in paragraph 20, "With reference to the possible re-adjustment of local wages and prices measured in silver, while we find that there is in Ceylon a slight tendency towards increasing wages, and a more general tendency towards increasing prices (after taking duly into account local exceptions and certain prices which have decreased), such increase bears no actual proportion to the progressive decline in the gold price of silver." That rather looks as if there had been some rise in prices?—Either I misunderstood your question or you did not frame it properly, because you said, since 1893 has there been a rise, and I replied no.

4613. But is this report of the Ceylon Currency Commission dealing with something before 1893?—The Commission sat immediately after the closing of the mints.

4614. Since that there has been no rise?—No.

4615. Now, I understood you to say that the effect of the artificial value of the rupee was that it threw difficulties in your way in forcing out the China tea from the United States and Russia?—That is one great thing.

4616. That is to say, that you could have sold at a lower price than the China tea that is now offered there?—No. The China tea could not have been offered at as low a price if it had been on the same footing as ours.

4617. But we can have nothing to do with the price China charges?—Assuming that we had been on even currency terms we could not have feared China.

4618. If you had been on even currency terms with China that would not have affected the price China could sell at, and therefore, you would have to fall down to her present price in order to undersell her?—Yes.

4619. And that would be mainly because the price of labour in China would have remained unaffected by the fall of price, that is to say, if their wages went up with the low value of their dollar, they would have

been in the same difficulty as yourselves?—Yes. China tea production is of course a totally different one to ours. The export of tea from China to other parts of the world is just a mere incident in its production. No one knows what the total production is, but it is many times the amount of the export. The Chinese do not grow for export. They grow their tea chiefly in little gardens, the peasants gathering it themselves. There is no question of wages in most of the gardens. They export if they can get a good profit. If they do not export, the tea disappears into the country; it is assimilated amongst themselves.

4620. Is silver really used for the purpose of paying Chinese labour? Is that the currency of China? Is it not really the copper cash?—The actual coin that may be handed to a wage-earning labourer, if there are such in these little peasant tea gardens, may be copper cash, but the silver which the exporter at one of the tea ports can give for a given quantity of tea depends upon what he knows to be the London price of a similar standard of tea, and what the exchange of the day is between wherever he is buying and London.

4621. That is without reference to the price paid to the labourer?—The houses that ship tea from China, know nothing about the wages paid to the labourer in China. They know that if they can offer a certain number of taels per picul, they can get this tea, and then in reckoning that number of taels to the picul they reckon what it will cost in sterling, and they agree to buy the tea, and they draw a sterling bill for the necessary amount.

4622. Still, the Chinese finds it worth his while to export at a price upon condition that he can produce the tea at a lower price?—The present ruling prices of China tea are such as enable the China producers to go on exporting.

4623. Now, would you accept this, which is a report from Shanghai of the effect of the currency upon a rise in prices. This is from Mr. Jamieson, Her Majesty's Consul-General at Shanghai, under date the 31st January 1898: "It may be said that at the "present moment in Shanghai it requires at least "$3 to procure the same articles of daily use as could "formerly be procured for $2. It is, I think, pro- "bable, that some of the articles quoted may be "unduly appreciated at the moment from temporary "causes." Then "In 1887 the value of the cash is "taken at 1,000 per dollar. In 1897 the average "exchange was 860 per dollar." The increase per cent. in silver prices of various articles is given thus: Rice has increased 49 per cent.; flour 82 per cent.; charcoal, 54 per cent.; chickens' eggs, 66 and 62 per cent.; pork 36 per cent.; fish, 58 per cent.; vegetables, 70 per cent., and so on through the list. So that it would appear, whether it is due to the alteration of the currency or no, the price of labour in China has risen under circumstances which you say in Ceylon have not affected wage rates at all?—If your figures, as I gather, refer to Shanghai, of course there is no comparison. The rise in prices there would naturally be great. The greater the number of European ships that call there and require these supplies of poultry and eggs and vegetables, and so on, the greater is the artificial demand set up. We have the same artificial demand in Colombo. That is a great coaling port now, and I know that you can no longer buy a fowl or an egg there at the price that you could years ago, before so many vessels called there. I should presume that Shanghai was a great place for game and food more or less in the nature of luxuries for passengers, and, of course an increased number of passenger steamers calling there means an increase in the price of those articles. But I should not regard that as an indication of what is taking place a few hundred miles in the interior. The reports that were specially obtained at the time of the closing of the mints, and which are embodied in the report of the Ceylon Currency Commissioners, are to quite the reverse effect. For instance, Consul Jamieson reported that the silver price of commodities in China had been remarkably steady. The Secretary of the British Legation at Pekin said: "We may assume that fair "China tea can at present rates be laid down in "London at 5*d.* à lb., and common tea at under 3¼*d.* "per lb. If exchange goes lower, of course the price "will drop more or less." There is a similar report from the Consul at Foochow, Mr. Consul Watters.

4624. That was in 1893?—That was in 1893.

4625. The figures I read to you refer to 1898?—If they are Shanghai figures, I would not accept them as being typical of China.

4626. (*Sir J. Muir.*) You have told us that a large portion of your Ceylon labour is done by Indian coolies?—Yes, from the Madras Presidency.

4627. About what proportion?—Practically all the resident daily wage-earning people. The only exceptions I know, are the Sinhalese contractors who are chiefly carpenters and artisans, and some of the villagers come in for the day; but practically all the resident labour on the Ceylon estates is Indian emigrant labour from Madras.

4628. Can you give me roughly the number of people that come?—There is a constant stream in and a constant stream out, and the excess of arrivals over departures has been very great in recent years. I could send you details, but I do not happen to have them here.

4629. Then I have before me the letter addressed by the Ceylon Association in London to Mr. Chamberlain, Her Majesty's Secretary of State for the Colonies. In paragraph 2 they say: "Ceylon has "not, like India, several leading staple products. "How dependent the Colony has been on her one "staple product, not only in the matter of her general "prosperity, but also of her public revenue, may be "shown in a few words. In 1877, when coffee "was still flourishing, the revenue amounted to "Rs. 17,026,190." That is correct, is it?—Yes, it rose to that from Rs. 12,000,000 a few years ago.

4630. What did it fall to afterwards?—The revenue hovered from 1882 to 1886 at Rs. 12,000,000.

4631. So that these were the black days of Ceylon. Is it the case that a very large number of the owners of estates became insolvent?—Yes.

4632. And the estates of those who were compelled to sell had to go for very little?—That is so. You are speaking of coffee estates?

4633. Yes; and the effects of the failure of coffee are reflected in the revenue?—Yes, they are reflected in the revenue.

4634. How long have you been in Ceylon?—24 years.

4635. You were in Ceylon during the period of great prosperity in coffee?—I went there shortly before it ended. I shared slightly in it; and I shared fully in the worst times.

4636. Had it not been for tea, can you think of anything else that might have saved the island from ruin?—I can think of no other great staple trade that would have done for Ceylon what tea has done.

4637. So that tea has really been the salvation of Ceylon, and has raised it from ruin, owing to the failure of coffee, to the high state of prosperity it now enjoys?—Yes, it has raised it to the highest state of prosperity it has ever known.

4638. What revenue does the Government get now from Ceylon?—Rs. 24,000,000. It is double what it used to be.

4639. And you ascribe that large success, do you, to tea?—I ascribe it to the prosperity of the producing interests; and of those producing interests tea is the great one. Of course, there are others.

4640. Then, in paragraph 7, the Ceylon Association says: "China, meanwhile, retains her silver currency; "and as the 1*s.* 4*d.* rupee is nearly 7*d.* above its "intrinsic silver value, it is clear that, at equal gold "prices, Ceylon will, in competition with China, stand "at a disadvantage, on this year's crop alone, of a "million pounds sterling." What disadvantage, do you consider Ceylon suffers by the 1*s.* 4*d.* rupee as compared with China?—It is very difficult to answer

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that. You cannot estimate the disadvantages as regards our displacing China tea from other markets. It could only have been a matter of opinion as to whether, if we had been on even currency terms, we should have displaced 5 or 10 millions from America and the Continent; and on that, of course, hinges a great deal of the adverse effect. As regards the direct difference, a fall of 20 per cent. in exchange means about 10 million more rupees to Ceylon to the producer.

4641. Then, in paragraph 8, they say: "The Ceylon "and Indian tea industries, when competing on fair "and even terms on a silver currency, were able, "without difficulty, to drive China tea out of the "home market"?—That is correct.

4642. You ascribe that to the superiority of the Indian tea, and the greater favour that it obtained with our people in Great Britain and Ireland?—Yes, they thought they got better value for their money.

4643. Then you were asked whether you thought there had been over-production of tea?—My view on that is that there has been over-production in the sense that there has been a larger quantity put upon the home market than the home market is capable of absorbing without a lowering of prices; but had we been on even currency terms with the other countries, probably all of that excess quantity would have gone into consumption in America and Canada and the Continent.

4644. That is the point I wanted to bring out. I understand there is a very strong feeling among Ceylon planters that, but for this 1*s.* 4*d.* rate, the great efforts you have made in the United States must have been successful. I understand that great efforts have been made in the United States?—We have been spending a great deal of money there.

4645. Trying to force Ceylon tea into consumption, and to displace in America China tea with Ceylon tea, just as you succeeded in doing in Great Britain?—Yes.

4646. Then you were meeting with some measure of success in doing that?—Yes, we were.

4647. But you now fear that the terms on which you must compete with China tea will place you at a great disadvantage?—Yes.

4648. And that it will not be possible now to make the headway you otherwise might have done?—Quite so.

4649. Then you have been making efforts also in Russia to introduce Ceylon tea and to displace China tea?—Yes.

4650. And with some success also?—Yes, with some success.

4651. Up to what date did that success continue?—Well, the progress has been extremely slow. We have not made anything like the progress we believe we would otherwise have made. I myself, more or less as a Commissioner on behalf of the Ceylon tea-growing industry, went to Russia, and I found that the great demand was for cheapness. They have a crushing import duty there, and they get comparatively little good China tea. The great bulk of what they take is common China tea, because it is cheap.

4652. In paragraph 10 the Ceylon Association say it feared that British capital may be drawn towards China, and that, if that come about, the competition of China will be all the more formidable in the future. Is that your view?—No, I cannot say that I share that view.

4653. Have you heard if much capital is going into this line of business in China?—I have not.

4654. Are you aware that some parties with considerable capital are considering the propriety of taking their managers and experienced assistants from India and Ceylon to China; have any been taken at all from India to China?—I am aware of one Ceylon planter who went from Ceylon to China at the request of one of the companies to report to them as to the best means of improving their manufactures. That is the only thing of the kind that I know of.

4655. (*Sir D. Barbour.*) What percentage of Ceylon tea is produced by small men who do not pay wages?—Oh, very small as regards tea.

4656. Something quite insignificant?—Certainly not more than 3 per cent. I think the last time I reckoned it I considered it was about 2½ per cent.

4657. You say that the price of tea estates has lately gone down in Ceylon?—Yes.

4658. There was a great rise in tea estates about four or five years ago?—It commenced before that.

4659. In 1894–95?—It commenced before that. There was a continuation of the rise up to about 18 months ago.

4660. The price began to go down about January 1897, according to a paper that I have?—It is difficult to say the exact date, but up to 18 months ago there had been a distinct rise for a good many years.

4661. But was not there a special move about two years ago?—There was more English capital offering to purchase estates then than there had been before.

4662. And that meant higher prices?—That meant higher prices, and tempted a good many individuals to sell.

4663. I see, in a paper that I have before me, that there has been a great fall in the local price of tea estates in Ceylon?—That is right.

4664. Money has been very tight, I suppose, recently in Ceylon as in India?—Yes, 16 per cent.

4665. And that, apart from other causes, would help to put down the shares of the tea companies for a time?—Undoubtedly.

4666. If money had been easier, the shares would not have fallen so seriously?—Not so seriously.

4667. As regards the evils arising from fluctuations in exchange: I suppose you would always have objected to fluctuations in one direction—upwards?—As far as I recollect, what I said was, I do not object to fluctuations in the market.

4668. But you would not like the fluctuation to be always upwards?—Certainly not.

4669. How many years has Ceylon been trying to get her tea into the United States?—A good many years, but she has been making very determined efforts during the last three years, spending what you may call public money in trying to push it.

4670. I think India did the same thing years ago?—To a less extent.

4671. Some years ago, I mean?—Yes, there were efforts made, and they failed. I do not think there were any special efforts made.

4672. Have you made any progress in getting Ceylon tea into the United States?—We have made disappointing progress.

4673. You have made some?—We have made some, but it is disappointing.

4674. Then I see, in your memorandum, that you challenge the statement of the Government of India in which they say, "that a country makes no gain in "international trade by depreciation of its standard, "since the extra price received for its exports is "balanced by the extra price paid for its imports." You do not agree with that?—Well, it starts on wrong premises. It assumes that those premises apply to India, which they do not.

4675. What premises?—That the extra price received for exports is balanced by an extra price paid for its imports. The two do not balance.

4676. But the Government of India there was referring to international trade. What does India get, then, apart from the articles of commerce, to which that argument does not apply?—It assumes that the money value of your exports, and the money value of your imports, are exactly the same, and that if there is a 10 per cent. addition to your income from exports you are going to spend that 10 per cent., or must spend that 10 per cent. on your imports, and that it is equivalent to saying to a man, "I will "give you an addition of 100*l.* a year, but I will "raise the rent of your house 100*l.* a year." That would be no gain whatever. India, as we know,

has a large benefit from her exports exceeding her imports.

4677. Has the Government of India anywhere said that the Indian exports do not exceed the imports?—They assume it in that argument.

4678. What they say is, "that a country as a "whole, makes no gain in international trade by "depreciation of its standard, since the extra price "received for its exports is balanced by the extra "price paid for its imports." That is, so far as he exchange of commodities for commodities goes—you say India exports a certain quantity of articles in excess of imports, what does she get in return for the excess?—She gets a larger number of rupees than she had before.

4679. A larger amount of silver?—No, a larger number of rupees. At the present day you can hardly call it silver.

4680. But now with the rise in exchange she gets a larger amount of silver for the same number of rupees?—What I mean is that for every fall of exchange a larger number of rupees were received by the producer than he received when exchange was higher.

4681. But he paid a larger amount when he purchased?—But he had a much larger balance to the good which he was saving.

4682. The surplus of Indian exports over imports is about Rx. 40,000,000 a year in normal times, excluding gold and silver. With a portion of that, India purchases silver at the present time. She imports a certain quantity of silver. I dare say you are aware that she now gets that silver very much cheaper than she got it before?—Yes.

4683. So far as she imports gold she gives fewer rupees for it since the exchange has risen?—Yes.

4684. There is no loss, therefore, as regards the gold or the silver. She uses the balance of her surplus to pay her gold obligations in England, and the amount of the produce she gives will depend on the gold price of that produce in England, and has nothing to do with exchange. Therefore where is the gain to India, as a whole, from the fall in exchange, or the loss from the rise?—I certainly maintain that with India spending a certain amount of money on produce, it still has a considerable surplus which is saved by the people, the people's accumulations do not come from the air; they are a margin over and above all the requirements of the country, and if they get a larger number of rupees for a given quantity of produce it enables them to add to those accumulations. Those accumulations, as I say, come from somewhere, and they undoubtedly come first as they would in the case of an individual who was saving on his income; they come from there being over and above all the liabilities of India some margin which remained. The people got with a low exchange a larger number of rupees for that margin, and were able to effect that accumulation. We see that the Indian figures practically bear that out. Their deposits went on increasing to a larger amount, and no doubt their hoarding also.

4685. But might not that have arisen, not from the fall in exchange, but from other causes; for instance, the extension of railways?—It came at the same time. When there was a fall in exchange, the prosperity of the Indian people seemed to jump up accordingly.

4686. If the exchange falls, and the producer in India gets a larger number of rupees, he gets a larger number of rupees because they are proportionately less valuable?—They are proportionately less valuable to a commodity which he never deals in, namely, gold; they are not less valuable to him as regards his local requirements, or as regards giving his wife and children what they want.

4687. So long as prices do not rise?—So long as prices do not rise, or, at all events, so long as they do not rise in proportion to the increased amount which he gets.

4688. As regards the increased competition of China, are you aware that China has borrowed considerably lately?—Yes.

4689. At a high rate of interest?—Yes.

4690. She must pay the interest on that debt, I suppose?—She ought to. I am not prepared to say that she will.

4691. Also railways are being made in China?—Yes.

4692. And I suppose it is expected that the interest on that capital will have to be paid too?—Presumably out of railway revenue.

4693. It will have to be paid by China in some form or other. Now if China has all that interest on debt, and interest on railways to pay abroad, she must export more produce to pay it?—She ought to.

4694. There is no other way in which she can pay pay it, is there?—Not if she pays it.

4695. That would stimulate exports from China?—Assuming that at the present moment there is not a sufficient margin to cover that.

4696. But I imagine that the present margin is only about sufficient for the present day?—There is one conclusion, it would seem to me, underlying the argument you are putting, namely, that railways, instead of being a benefit, are an evil.

4697. I do not say that; the railways may be well worth paying for. All I am putting forward is that she must export more to pay her debt?—If she pays it.

4698. And possibly, among other things, she might export more tea?—Quite so.

4699. So that the increased export of tea in that case would be due to the greater indebtedness of China, and not to the fall in exchange. I do not say the whole increase of her exports, but a portion of the increase of her exports of tea and other things?—I would not agree with that reasoning at all. I should say that having to export more to meet foreign payments, tea will form one of the exports owing to the fact that exchange is so low that she can do it with profit. Without that low exchange she might have exported other products to have made up that charge.

4700. Do you think it would be possible for Ceylon to separate from India in the matter of standard?—No, that would be practically impossible.

4701. (*Sir C. Crosthwaite.*) Has the fall in the gold value of the rupee necessitated an increase of taxation in Ceylon?—No, there has been a slight increase. There was a slight increase some years ago, due to the failure of coffee; but there has been no necessity for an increase of taxation owing to the fall in the gold value of the rupee.

4702. Then the Government of Ceylon has not been involved in any embarrassment owing to the fall in silver?—No.

4703. In that respect Ceylon differs very much from India?—Yes.

4704. The Government of Ceylon has no connexion with the Government of India?—None.

4705. No increase of taxation in India would affect the planters of Ceylon in any way, would it?—It might. For instance, the export duty upon rice, of which Ceylon is, I may say, the largest customer of India, would affect the Ceylon planter.

4706. But the export duty has not been increased, has it?—No.

4707. If there was a much heavier taxation in India which would seriously affect the condition of the classes of people who supply you with coolies, it would rather be for your advantage than otherwise. For instance, if the salt tax were doubled in Madras, and the condition of the coolies in Madras were made less prosperous, they would be more likely to emigrate and come to you?—Any oppressive taxation in the coolie districts would, of course, tend to send the coolies away from there.

4708. You say that since the fall of the rupee has occurred you have not increased the wages of your coolies?—No.

4709. You pay them in money—altogether in money?—We have to supply rice at a set rate, but the balance is always paid in money.

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4710. Do you supply full rations of rice to the coolies at a fixed rate?—The usual estate rule is that for five days' work a week the coolie gets a quarter of a bushel, which is supposed to be his week's food. As a matter of fact it is more, but that is what is given.

4711. And for five days what would be his full pay?—He would get five times 33 cents, if he was a man; that would be 1 rupee 66 cents.

4712. What would be the price of the rice which he would get?—One rupee.

4713. He is paid 1 rupee 66 cents, out of which 1 rupee goes in rice?—That is presuming that he has only worked five days.

4714. And that rice you supply at a fixed price?—Yes.

4715. Can you tell me what the price is at which you supply the rice?—Four rupees a bushel.

4716. When was that price fixed?—That price has ruled, I should think, for a long time, certainly before I went to the country.

4717. How long ago is that?—24 years.

4718. Then the price of rice was fixed 24 years ago?—Prior to 24 years ago. Except in exceptional cases, that has been the standard.

4719. And it is now given to the coolies at that fixed price?—Yes.

4720. Rice forms the main proportion of the coolie's food, does it not?—Yes.

4721. And on that showing it would take up nearly three-fourths of his pay?—Three-fifths.

4722. Three-fifths of his pay would go in rice, and that is supplied at a fixed rate, which rate was settled more than 20 years ago?—Yes.

4723. Do you think the price of rice is the same as it was 20 years ago?—It has slightly risen.

4724. Do you get it chiefly from India or Burmah?—Chiefly from India.

4725. Then a reference to the Indian prices of rice would show how much your coolies' wages have risen during that time?—No, hardly; because the prices I quote to you so fixed 20 years ago applied there to many estates where the transport was heavy and the local charges great, whereas although there has been probably a greater increase in the Indian price of rice, there has not been a corresponding increase in the Ceylon price, owing to the improved means of communication and cheaper transport, and the export duty in India and import duty in Ceylon remain the same.

4726. That decrease in the cost of transport has all gone to the planter?—It has enabled him, certainly, to continue to supply rice at the old rates.

4727. In other words, it has gone to the planter?—I would not say it has gone to the planter. I say it has enabled him to continue the standard rate without raising it.

4728. It has not gone to the coolie?—Well, it has enabled the coolie to get the rice at that standard rate which he might otherwise not have got.

4729. Let me put it in another way. Do you think, if you had not given them rice at that price, you would have been able to keep them at the same wages as they had 20 years ago?—I think so, probably, although with the greater competition for labour there might have been some difficulty.

4730. I think you drew a distinction between dividends that have been received of late years by the new companies, the companies that have been formed by amalgamating the smaller tea estates, and the dividends received by the older established and smaller companies?—Not necessarily smaller.

4731. Not necessarily smaller, but older established companies?—Yes, they paid a much less capital value for their acreage than the more recent companies did.

4732. The more recent companies, I suppose, like most companies that are formed by amalgamating small businesses have got a very fancy capital?—No, it is not a fancy capital. It is a capital based upon the profits that were then being yielded by tea. It seldom went above seven years' purchase.

4733. Seven years' purchase of the then profits?—Of the then profits.

4734. I suppose the old holders held out for a considerable profit?—I imagine that those who had developed the gardens themselves from the beginning, and sold in the last 2½ years have made a very considerable profit out of those sales.

4735. That is to say, they got very much more than the capital they originally invested in the gardens?—Yes, in that sense.

4736. And that being so it is only reasonable to suppose that these new companies would get less dividends?—Yes; a company buys on a basis of so many years average profit and then capitalises that at six, seven, or eight years' purchase.

4737. But I suppose the shareholders, unless they are very sanguine, never expect to get the same dividend that the former owners of the property got?—Of course not.

4738. Then it is hardly fair to quote the dividends in those cases as smaller dividends arising from the Indian currency measures?—No, it would not be fair, and I hope I did not do that. What I say is that the older companies declared larger dividends. I only remember two exceptions of companies that have maintained their dividends last year—two of the old companies, strong companies. The great bulk of the companies, either old or new, have had to fall this last year.

4739. Still, the old companies were able to divide between 12 and 16 per cent.?—15 per cent. is the highest that I know of, and that is only paid by one company.

4740. There is a point I want to ask about with reference to coolies. You now provide them with hospital and medical assistance. That is provided at the expense of the planters, is it not?—There is a sort of grant in aid. A small duty is levied by the Government upon the European products, if you can so call them, and that is a set-off. The Government pay a portion of it. It is a Government establishment, really.

4741. (*Sir A. Dent.*) It is compulsory, is it?—Our labour law compels us to provide a month's medical attendance.

4742. (*Sir C. Crosthwaite.*) It is done under law?—Yes.

4743. (*Sir A. Dent.*) We all know, from the recent correspondence that we have seen, and from what has appeared in the newspapers, that the people of Ceylon attach the very greatest possible importance to this inquiry?—They do.

4744. I suppose you have read the memorial of the Planters' Association of Ceylon, that of the Ceylon Association in London, and the "Memorial of the undersigned inhabitants of Ceylon"?—Yes.

4745. Judging by the signatures appended, I should think they comprise nearly all the leading firms in Colombo?—Yes.

4746. Are there any prominent members of the community in Colombo who have not signed that memorial?—None that I know of.

4747. A great point has been made in the previous questions put to you as to the dividends that have been made by the companies, both local and English companies. But is it not a fact, which I think you have admitted before, that the great bulk of the tea industry is really in the hands of private persons?—The majority of it is in the hands of private individuals.

4748. And therefore the doings of these companies are not necessarily a true index of what is going on in the country?—It is an index, but unless you know something about their capital cost and how the company was formed it would not be very reliable.

4749. It depends on what the company paid per acre. One company has its estate standing at say 100*l.* an acre, and another at 20*l.* an acre, so that the dividend paid by companies is surely a very poor test in many cases of the real out-turn of the tea estate?—Relatively it would be so. Of course, if

they all rose you might assume that they were all affected by some favourable influence, and if they all fell you might assume that they were all affected by some adverse influence, although the fall or the rise would not necessarily be in the same proportion.

4750. One or two questions were put to you, I think, about the machinery of an estate, the cost of buildings, and the cost of superintendence. But those three items, I think you will admit, form a very small factor in the cost of a tea estate?—Yes.

4751. Machinery is only a matter of a few hundreds or thousands of pounds, according to acreage, the cost of which is spread over a series of years?—That is so.

4752. So that the estate has benefited hardly at all by the rise in exchange in getting this machinery?—There is a very small set off.

4753. In the matter of wages, it is said that wages are very much the same now as they were before; but is it not the fact that on Ceylon planters' estates the coolie and his family have really benefited very considerably by the more continuous employment they have had?—That is the case.

4754. In the coffee days they worked for a few months only, and then went back to India, but now, when tea is flourishing, the coolie and his whole family are always employed on the estate as long as they choose to stay there?—They get more regular employment now than they used to get.

4755. The coolie is very much better off than he was, and that is in many ways equivalent to a rise in wages?—He is better off.

4756. Lord Balfour asked you some questions the production of tea. I have a memorandum here which gives the import and deliveries of Indian, Ceylon, and China tea from the 30th June 1885 to the 30th June 1897; in a few days I shall get the figures up to June 1898. Though there has been over-production, these figures, with which you are no doubt as familiar as I am, show that the deliveries in the United Kingdom have always kept pace with the imports?—Yes, deliveries are quite satisfactory in that sense.

4757. But my point is, that though there has been over-production in one way, this country has always taken off all that has been sent to her, and to-day, I believe, the stock is less than it was this time 12 months ago?—Of course I cannot say that I would accept deliveries (however satisfactory merely as regards exports as against imports) as proof that there was no over-production, because, probably, deliveries have only been achieved at a very considerable diminution in price. It is quite true that stocks are not very great, and it is also true that deliveries in proportion to imports have been satisfactory, but still, I think, the satisfactory state of deliveries has only been achieved by our accepting a low price, and it does not disprove the idea that there has been some over-production.

4758. What you are more alarmed about in Ceylon, I take it, in reference to those currency proposals, is with regard to the future rather than with regard to the present; is not that the case?—I would hardly say that.

4759. As regards China, I mean?—The present advantage of China, 50 or 60 per cent. of a bonus on the currency is an extremely serious one, and one can hardly imagine that it will get very much worse than that. We are alarmed about the future, if you are going to anchor us permanently to an artificial value, and having no knowledge of what the bullion value of the tael or the dollar would fall to; but, apart from that, the present position is a very critical one.

4760. Do you think that the Chinaman is aware of of the advantage he has, and is prepared to utilize it?—The importers of China tea, both in England, and on the Continent, and in America are fully aware of it. I do not imagine that the Chinese peasant producer knows much about it.

4761. You know that, besides what we may call the handicap of exchange, China levies an export duty on all its tea?—There is a Likin duty, which has existed ever since our trade commenced.

4762. You call it a Likin duty, but there is an ordinary export duty. Likin duty may be something additional that we know nothing of?—I cannot say that I know the precise nature of the Chinese duties, but, so far as I am aware, there has been no increase on them of recent years. There has been no duty which is in any way a set-off against the bonus that they are now getting in exchange.

4763. There has been no official increase in the ordinary Chinese duty, which is regulated, I think, by treaty. You talk of China tea selling here and competing with Ceylon teas, say in Russia, at 4*d.*; that tea has to pay a duty of something like 20 per cent. on its net cost, so I must point out to you that there is an additional handicap. The Chinese might take that duty off?—Of course they might do so.

4764. But, in the present state of their finances, they are, perhaps, more likely to increase than to diminish it.

(*Chairman.*) You put that problematically; are we to take it that there is a Chinese export duty of 20 per cent. on tea?

(*Sir A. Dent.*) The duty is so many taels per picul, and when you come to a low class tea, that sells, say, at 4*d.*, it is 20 per cent. When I have sold my tea at 4*d.* and get my account-sales, if I had not paid that duty I should have been 20 per cent. better off. If my tea nets 8*d.*, or 1*s.*, or 2*s.*, the duty is relatively different. I wanted to bring out the fact that China tea, selling at 4*d.*, must pay a considerable percentage of duty in addition to the purchase price.

4765. Allusion is made to the very high rate that is charged for overdrafts in Ceylon, for such advances that the tea companies sometimes ask for. That is a very serious matter, is it not?—Extremely serious. When I left Ceylon the Bank-rate to those who could offer first-rate security, was from 14 to 16 per cent.

4766. Stable exchange, of course, is an advantage as well?—No doubt.

4767. But my question is, is it not a very serious matter to Ceylon estates to bid for stable exchange at such a very great cost?—Undoubtedly. If the stable exchange is to be achieved at a cost, such as we fear it would be, it will be no benefit, but quite the reverse.

4768. Then it is the fact, is it not, that Ceylon depends almost entirely for its revenue on its tea industry?

(*Chairman.*) He has not said that.

4769. What is your revenue derived from?—Our chief item of revenue is customs. The import duty on rice is the great item. The next item is our net railway revenue; but both of these hang on the prosperity of the producers.

4770. That, I can quite understand, is your contention, but you rather put it as if there was a direct revenue being derived from the tea trade?—Oh no. The direct taxation of Ceylon is light.

4771. (*Sir A. Dent.*) It is said in this memorial to Mr. Chamberlain of 25th March 1898, from the inhabitants of Ceylon, "That the staple export products of "this Colony are not grains or cereals which are culti- "vated annually, and which if found to be unprofitable "from any cause one year need not be cultivated the "next, but consist of articles, the cultivation of which "requires a large capital outlay, and which have taken "years to bring into production"?—The point of that is that you would not see an immediate reduction in our exports, because they are perennial plants, and a mere one or two years' want of profit would not occasion everyone to abandon their properties, whereas if it was a cereal or an annual, the sowing of it would at once be affected by want of prosperity. When you are dealing with a permanent product like tea, coffee, cocoanuts, or any of our great exports, the effect on the quantity of exports would not be immediate at all.

4772. In the same memorial they say "That they "do not believe that the Indian Government antici-

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"pated this effect of its policy." Alluding to the damage that the rise of exchange had caused to the planting industry?—That rather applies, I think, to the stringency of money.

4773. I thought it applied to exchange, because on page 22 of this Blue Book, "Correspondence respecting "the Proposals on Currency made by the Govern- "ment of India," Lord Elgin and his Council use the phrase, "On the ground that the change is "expected by some to be advantageous in certain "exceptional cases." That appeared to be referring to planting as an exceptional case. I think the fear of the Ceylon people is, with an answer like that, that their interests would not have much consideration?—We think that the producer's interests have not been considered. We do not expect that Indian interests will be considered adversely to ours, but we merely say that our producers are in the same category, and that, therefore, what you may learn from our facts will be of some use to you in considering Indian ones.

4774. Now, you have had some experience outside Ceylon, have you not?—I have been to the Far East, and I have got interests myself in silver-using countries—in Singapore—and I have got some knowledge of the present position of matters in Mauritius.

4775. Will you tell us how Mauritius is bound up with Ceylon?—Mauritius is hardly bound up with Ceylon at all, but it is one of the other rupee-using colonies, and the scarcity of the rupee there has had most serious effects. There has been a tremendous drain of the currency away. Since the 1st January 1897 up to March 2,500,000 rupees had been drained off to India in excess of those that had arrived. These are the official figures; but, in addition to that, there had been undoubtedly a large quantity that had gone off to India through private sources, not shipments, and the result of that has been that the finances of Mauritius may be said to be almost in a desperate condition. The Government has had to lend the Commercial Bank of Mauritius 1,000,000 rupees.

4776. Do you connect that with the closing of the mints?—Oh, yes.

4777. But the money sent away to Mauritius was sent away for value?—It only shows that as regards redundancy of rupees the rupee countries—Ceylon and India—are suffering from the very reverse. Mauritius is suffering from the drain of the currency to such an extent on that account that the Government have been obliged to make an advance; they have actually been obliged to suspend their currency regulations, and issue notes without the legal reserve against them, and, at all events for the time, there is a forced note issue. I do not suppose any English colony has had to take such a step before.

4778. (*Chairman.*) I always thought that there has been depression of trade there?—Undoubtedly the sugar industry there is in a very bad way.

4779. I should think that that, and not the exchange, was the reason?—It is very difficult, of course, in the case of a country suffering from many things how much is due to one cause and how much to another; but there is undoubtedly most great stringency in the currency, and the position of Mauritius as regards the absence of coin has come about from that. There is not enough coin in the country to meet the requirements of the people, and the Government have been obliged to suspend the regulations under which their currency has hitherto been issued, and to issue notes without the full bullion reserve that they ought to have had, they have had to issue Government notes in anticipation of loans to be raised to meet them.

4780. (*Sir A. Dent.*) You made some comparison in your memorandum with the West Indies and Australia, will you tell us how that affects this enquiry? Capital usually will only go where there is profit?—I think that is the correct way of looking at it—that stability of exchange between the two countries is convenient and, in many cases, desirable; but I think it is quite erroneous to suppose that stability of exchange by itself will attract capital. As a concrete instance that it does not do so, I quote you the West Indian Islands, Australia, Fiji, and other places, in which there is an absolute stable exchange, and we find that no English business goes on. I quote you on the other side, Ceylon, with an unstable exchange of the rupee, to which there was, up to quite recently, any amount of capital offering. The evidence taken before the Ceylon Currency Commission was perfectly conclusive on that point—that never during the whole history of the Colony had there been more capital offering than there was at that particular time.

4781. (*Chairman.*) Do I understand you to say that no English capital has gone to Australia?—No, I do not say that. What I said was that the stability of exchange between England and Australia, and between England and the West Indies, and between England and Fiji, and a good many other places, has not induced more capital to go there of recent years.

4782. Surely there has been a large amount of English capital lost in Australia in the last few years. It had nothing to do with exchange. So, with regard to the West Indies, what it had to do with was not the exchange, but the destruction of the sugar industry?—That is just my point, that English capital will not follow stability of exchange as the Secretary of State for India stated a short time ago. The real magnet which attracts capital is profit.

4783. It is not for me to defend the Secretary of State, he can defend himself; but he was talking of exchange between a silver country and a gold country. There is no exchange beyond the ordinary market exchange between England and Australia, or between England and the Mauritius?—But, surely if you would apply the expression "stable rate of exchange" between India and England if India had a gold standard, you would also apply it equally, and that is what I did, rightly or wrongly, between England and Australia, or between England and the West Indies. As I say, the magnet which attracts capital is the reasonable chance of profit.

4784. That will attract capital everywhere. The Secretary of State's argument is that he wants in that way to attract capital to India—by showing a reasonable chance of profit?—Having quoted those countries with an even rate of exchange, and stated, I think rightly, that no British capital is going there just now, and has not for some years, I then quote you Ceylon with its unstable rate of exchange, and show you that there was any amount of capital offering then. I only argue from that that stability of exchange of itself does not attract capital.

4785. Therefore you think that capital has not been remitted home from India, and is not prevented from going to India on account of unstable exchange. You told us a short time ago that a large amount of capital had been remitted home from Ceylon?—Undoubtedly, for the two reasons that I quoted, one that some people think that the rate may go down, and, therefore, they take advantage of the high rate to remove their capital and the other that some people believe that there will come a time of absence of prosperity and crippling of trade, and they therefore try to get out as soon as possible.

4786. That is an unstable exchange?—They do not fear unstable exchange.

4787. Are you aware that in this time of stringency, companies trading in India and in Ceylon have kept their money in London at 1½ per cent., while they have paid very high rates for accommodation in India and Ceylon?—Undoubtedly.

4788. Will you explain why, in your view, they have done that?—I explain that by the desperate condition of affairs that have been brought about by the action of the Indian Government—bringing about such a position that was never known before.

(*Sir J. Muir.*) I think, Sir, you stopped the Witness when he was going to explain why, in his opinion, people now desired to realise their property in Ceylon, because they feared that the 1*s.* 4*d.*, the permanent rate,

brought about in an arbitrary matter, would make the future of Ceylon unprofitable.

(*Witness.*) That is my point. It is not that I think for a moment that instability of exchange of itself would take capital away from either India or Ceylon. It is that if stability of exchange is achieved at a loss of profit, then it will not bring any capital at all, that capital will go where there is profit, and go away from where there is loss, and if it be the case that instability of exchange does involve a diminution of profit it will involve a corresponding diminished flow of capital to that country. Might I mention this fact in connexion with the alleged redundancy of rupees? By a recent regulation the British India rupee has been made legal tender in the British East African possessions. I quote that merely as showing that with Ceylon and Mauritius there is now another British possession which has made the East Indian rupee its legal tender, and that, therefore, there will be a requirement of currency for that bit of the British Empire, and a considerable absorption of rupees. I believe that there the German rupee has been demonetised, and that, although for the present moment they have a stock of the East African Company's rupees, no more will be coined, and that in future the British East African possessions will hang on the rupee, and will be only able to obtain their supplies from India.

4789. (*Sir J. Muir.*) I think that is important?—I think it shows a new field for the demand for rupees.

4790. (*Mr. Holland.*) You told us in the course of your evidence that there has been a failure of coffee in Ceylon, and I see it is referred to in a great many documents that have come before us. Would you tell us as a matter of information from what that failure arises, whether from a change of taste on the part of the public, or from more successful competition on the part of Brazil?—No. It was due directly to a blight, a fungus analogous to the rust in wheat, which destroyed the plantations.

4791. Then the growth of coffee was not returned to afterwards?—No.

4792. Because tea, I suppose, offered a more profitable prospect?—It seemed to be more profitable, and the scientific investigation into the disease which had ruined the coffee estates led us to believe that there was no chance of our getting free of it.

4793. You told us that years ago, before 1893, the tea planter distinctly benefited by the fall in exchange inasmuch as he received more rupees for his products, so that he was a gainer by those rupees. If he was the gainer, can you tell me who was the loser?—I do not think that necessarily follows. I should be very sorry to think that my own humble means have been achieved by a corresponding loss on the part of some other individual.

4794. But take an ordinary commercial transaction. If I am engaged in driving a bargain with you, and I make better terms than I expected, other things being equal, I am a gainer at your expense. And so in exchange, a movement which benefits one class of traders injures another class; is not that so?—I do not think so. That would only be applicable where the seller over-reached the buyer. If your question implies that a man making a thousand pounds out of ten during good times, makes it at the expense of a loss of a thousand pounds to somebody else, I say that is not the case at all.

4795. You told us that while exchange was falling the tea grower was gaining considerably, but you admit that labour was not being advantaged except indirectly in the way of better employment?—There was no particular advantage to labour further than that general advantage that an employé would get from his industry being in a prosperous condition.

4796. So that if growers are now losing in comparison, it would be unfair to call on the labourer at once to participate in the loss?—It would, and he has not been called upon.

4797. I think you admit from what you have stated that the condition of labour has not improved in Ceylon quite to the same extent that it has improved here, inasmuch as though there may have been no change in actual wages paid either in Ceylon on the one hand, or England on the other, yet here there has been an enormous increase in the purchasing power of those wages, and to that extent it is tantamount to an increase of wages, and no such increase has taken place in the interval in Ceylon. Is that so?—With few exceptions there has been no increase in the purchasing power of silver.

4798. Your point, I understand, is that prosperity will be likely to return to Ceylon with a lower rupee but the advantages of that lower rupee must percolate through the capitalists to labour?—No, that is not quite my position at all. Although the questions which members of the Committee have addressed to me hinged upon tea, and were addressed to me more as an estate proprietor and an employer of labour, you must remember that for every European proprietor there are a thousand native producers, and they share the benefit as well; indeed, they get it all, because they pay no wages.

4799. Did I understand rightly that you estimated the advantages which the tea-grower in China has, as compared with the tea-grower in Ceylon, as being 60 per cent. in favour of the China teagrower?—As regards his currency position that is so.

4800. Is it your opinion in regard to the proposals of the Government as to the rate of exchange, that the difficulties and dangers of carrying out such a proposal, namely, the giving of a fictitious value to the rupee, increase in proportion to the divergence between currency and its intrinsic value?—Undoubtedly.

4801. You referred, I think, in your evidence to competition from Japan, and you said that Japanese competition had lately increased?—Yes; I referred to Japan. Japan may almost now be considered to be on a silver basis, because it has fixed its gold currency at a very low rate and at a very much lower rate in proportion to silver than our currency is at just now. Consequently Japan, in competition with either India or Ceylon, is benefited. It is not benefited quite to the same extent as China is. I think the Japanese rate of exchange between gold and silver is about as if silver was at 29*d.*

4802. Then do I understand that although you are opposed to a gold standard, you would not be so stoutly opposed to it if the rate were fixed low enough?—The difficulty there is that you cannot prophesy the future of silver. If you could get a rate that was a natural rate, then, of course, I daresay there would be no injury to India, but we cannot say what the natural rate would be.

4803. But, although you object to the 1*s.* 4*d.* rate, I understand you would have less objection to 1*s.* 3*d.*, less still, perhaps, if the rate were 1*s.* 2*d.*?—That is so; the nearer you get to the bullion value, the less objectionable and the less injury I think it would do the producers, but on principle it would still be a proposal that I should object to.

4804. Might I ask if you were opposed to the closing of the mints in 1893?—I was.

4805. Do you think that Ceylon, like India, has suffered very much from the stringency of the money market?—Undoubtedly.

4806. Do you consider that the stringency of the money market is a proof that currency is not redundant?—I think so.

4807. You think the two would be incompatible?—Yes, it is quite conceivable that the stringency due to the curtailment of the currency has been aggravated by the sort of fear that there often is apparently in financial circles when there is any panic on. You find money becomes more scarce than the facts warrant, and I think that has been the case this time. But as the success of the Indian Government's policy depends on the scarcity of the rupee, I think it almost follows that when currency is scarce there

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will be an undue stringency, though possibly not so great as at present.

4808. You think that with monetary stringency it would be unreasonable to expect prosperous trade?—I think trade would be much less prosperous than it otherwise would be.

4809. You mentioned that you had had a local cotton mill in Ceylon, but that it had come to grief. To what would you attribute the failure of that mill?—The stringency was the last straw, but I cannot say that it was the cause of the failure. The mill was not successful; their output was not big enough to pay for the administration charges—I forget how many spindles they had. Then the currency difficulty came on, and that was the last straw.

4810. Do you think that an increased production would put it on its feet again?—It is possible.

4811. You recommend that there should be a seignorage on the coinage of silver, on the one hand, and also an import duty on silver?—Yes, I think the mints should be opened with certain qualifications, which are those you mention.

4812. Are you aware that the Madras Chamber of Commerce has also declared itself in favour of an import duty on silver?—I thought they had done so in connexion with the Lindsay scheme.

4813. I understand that you yourself are diametrically opposed to the currency proposals of the Indian Government?—I think so.

4814. Do you think the effect of carrying out those proposals would be further to strangle trade?—I think it would be made manifest by the hitherto prosperous producer becoming less prosperous, and by the balance of trade being considerably reduced.

4815. You admit that the payment of the home charges is contingent on the amount of that balance?—Undoubtedly. So far as the departmental work of the Government is concerned it might be a convenience, but, so far as the real raising of the sum by India, I think it would be quite the reverse.

4816. We all agree that confidence is necessary for the return of capital whether to Ceylon or India, but is it your opinion that confidence would be likely to be restored very much sooner under your proposal—that is, with the re-opening of the mints and with seignorage and an import duty—than if the Government of India's proposals were to be carried out?—Yes, you would need to restore not confidence in the currency only, you must restore confidence in the prosperity of the people, and I think my plan would be more likely to do that than the plan of the Government of India.

4817. (*Mr. Hambro.*) In answer to the Chairman, I think you said that the approximate cost of cultivating an acre of land was about 300 rupees, and machinery about 60 rupees?—Yes.

4818. And that the produce would be about 400 lbs.?—420 lbs.

4819. If you take 2½ acres, that would be 1,000 lbs. of tea. Suppose that was sold at 6*d.* a lb., that would represent 500*s.* in London?—Yes.

4820. Of that 500*s.*, how much is affected by exchange, I mean how much is spent in London by dividends, by freight, and other things, and how much has to go back to Ceylon?—Of course your dividend, first of all, hangs upon your profit.

4821. The dividend of an English company is paid in London; how much of the 500*s.* would have to go back to Ceylon?—You may assume any dividend you like.

4822. I will only assume that amount to go back which is necessary for the cultivation of the 2½ acres?—The London charges, including freight and insurance, would be about 1*d.*

4823. How much would have to go back to cultivate those 2½ acres?—We agreed that about 25 cents. was the cost of production landed in Colombo, that is, about a quarter of a rupee. It costs us a quarter of a rupee per lb. of tea to put it F.O.B. in Colombo.

4824. About a quarter of a rupee produces 6*d.*?—Yes, it might.

4825. That is 2*d.* back again in Colombo. I want to know how much of the production of the tea has to go back into rupees?—If we take sterling figures, the 25 cents F.O.B. in Colombo costs 4*d.*, and if you add 1*d.* to 1¼*d.* for freight, you get 5*d.* or 5¼*d.*

4826. The freight is paid in sterling in London?—That is included in the 1*d.* to 1¼*d.*

4827. Therefore, 4*d.* has to go back?—4*d.* has to go back.

4828. Therefore, it is only two-thirds of the production of the tea that is affected by the exchange?—I do not quite follow you there.

4829. (*Chairman.*) I was going to ask you, Mr. Christie, to bring us to-morrow a table shewing the capital of the companies, a table showing the dividend that they have paid since their formation, a table of the market value of their shares, and a table of the average cost of production, dividing it into interest on the original capital, and the labour. I want to see what the profit has been?—I know the cost of production of tea; I own a tea estate; I have had the management of an estate. You will not get any planter who knows better the cost of production than I do.

(*Chairman.*) That is why I ask you for this information. What we want from you is a statement that we can put upon the notes, as your statement, showing the capital cost, the return, the amount of the crop, the price that that crop, at its lowest, will produce, and then the cost of labour and what is to go back to Ceylon. We want that in order to see how much the exchange would operate. Perhaps Mr. Leake will bring us that by the morning.

(Adjourned.)

TENTH DAY.

Tuesday, June 28th, 1898.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DART, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.
Mr. ROBERT CHALMERS, *Secretary.*

Mr. THOMAS NORTH CHRISTIE and Mr. W. M. LEAKE recalled and further examined.

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4830. (*Chairman to Mr. Christie.*) Have you brought us the table that we wanted?—I have brought a memorandum from the point of view we were discussing, showing the cost of opening land and the cost of producing tea. The average cost of forming a tea estate, including the cost of the land and bringing it into bearing has been about 300 rupees, or with buildings and machinery, 375 rupees per cultivated acre. This does not include interest on capital, and it assumes that the estate has been opened, as nearly all these Ceylon estates have been, by an individual owner. It would not, I think, be possible to open any large area of land at that cost now, as suitable waste land is scarce and dear. The average cost of putting the tea into Colombo is about 4*d.* a pound excluding interest and with no allowance for depreciation. The freight and London charges are about 1¼*d.* per pound. The cost either of opening land or of producing is necessarily raised by administration charges. The average value of such tea is now about 7*d.* per pound in the London market. Less than ½*d.* of the cost of production is influenced by the gold value, over 3½*d.* being a purely rupee expenditure.

4831. Is that 4*d.* a pound putting it into Colombo calculated in sterling or rupees, and if sterling, at what rate of exchange?—I put it into sterling as I thought Mr. Hambro said he would prefer that.

4832. At what rate of exchange?—Well, of course, I have to assume practically the present prices, and I have got to assume the present charges, and the present rate of exchange.

4833. Then we are to understand that the figure you are now giving is based on the gold value of the rupee at what rate?—Say between 1*s.* 3½*d.* and 1*s.* 4*d.* Then I add to this a note dividing this cost. I just happened to receive by this mail from Ceylon an estate account from one of my own properties, and I took out the proportions as they are there. The accounts, of course, are kept in rupees and cents. The tea upon that estate has cost 26 cents of the rupee per lb. to produce, and that 26 cents is distributed thus: salaries and allowances, 3¾ cents per lb. of tea; repairs to buildings, half a cent. per lb. of tea; weeding, 3 cents per lb. of tea; pruning, 1 cent; plucking, 10 cents; manufacture, 4 cents; transport from the estate to Colombo, 1¼ cents; Colombo charges, 1 cent; sundries, 1½ cents.

4834. That makes an entire total of 26 cents—yes. Of course I do not quote this as more than an individual estate, the accounts of which reached me yesterday.

4835. That is 26 cents; in fact we may say it is a quarter of a rupee?—A fraction over a quarter of a rupee.

4836. And of course there is nothing there for interest?—Nothing, nor depreciation.

4837. We may take it that the selling price in London or in Colombo—there will be the cost of freight to be added if it is taken in Colombo—is a little over half a rupee?—No, it is not quite so much as that. I estimate 7*d.* a pound.

4838. I thought you said 7½*d.*?—No, about 7*d.*; that is the London market rate. The Colombo rate would be a good deal lower than that. They would, of course, knock off the expense of getting it to London, 1¼*d.* They would take that out at 5¾*d.*, transferring 5¾*d.* into rupee currency at the rate of exchange of the day; it would be, roughly speaking, 33 or 34 cents.

4839. That practically comes to this, does it not, that the cost of production is in round figures a little over 50 per cent. of the selling price?—No, it is more than that. I should think it would work out at nearly 66 per cent.

4840. You say a little more than one fourth of the rupee, and the rupee is 1*s.* 4*d.*, so that the fourth of a rupee is 4*d.*?—That is the cost of production.

4841. You said just now 4*d.* a pound into Colombo, so that it comes to the same thing; the cost of production is only 25 per cent.?—No, because you are taking the London value. If you only take 4*d.* landed in Colombo you must take the Colombo price, which would be 1¼*d.* knocked off the London price.

4842. I see what you mean; it would be 50 per cent. of the sterling value in Colombo, and it would be between 60 and 70 per cent. of the price in London?—No, that will not work out either. The Colombo price naturally hinges upon the two things, the assumed market value in London and the rate of exchange.

4843. We will take the market value in London at 7*d.*?—Yes, then the Colombo buyer knocks of 1¼*d.* for charges, and that leaves 5¾*d.* Therefore, if sold in Colombo the seller would get 5¾*d.* for what cost him 4*d.*

4844. That is about 60 per cent.?—33 per cent.

4845. But the cost of production is 66 per cent.?—The cost of production is 66 per cent. and the profit will be 33 per cent.

4846. (*Mr. Hambro.*) It seems to me that if the cost delivered in Colombo is 4*d.*, and the gross proceeds in London are 7*d.*, the effect of the exchange is only on the 4*d.*, the money you want to get back, because freight you pay in London. I am speaking of an English company at the present moment?—That argument undoubtedly applies to an English company.

4847. To English capital sent out for a company?—Undoubtedly.

4848. For an English company it is all over the 4*d.*—not over the 7*d.*?—Quite so.

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4849. Therefore, the London market value being 7*d.*, the effect of the exchange moving 1*d.* would be less on the tea than on the rupee, as on the tea it would not be on the 7*d.* but only on the 4*d.*, or four-sevenths of the gross value?—It is hardly fair to say on the tea. It would be on the cost of production: that is as regards English companies.

4850. I am only speaking of English companies?—Of course the effect of that reasoning is limited entirely not only to English companies but also to the direct loss, as we may call it, by exchange. There is the other and more serious loss, that of the lower market rate, in order to keep our place in competition with silver-using countries. That applies not to the mere cost of production but to the gross proceeds.

4851. And to the fact of an English company having to send out capital to Ceylon?—I might state for the information of the Committee that the acreage under English companies which would fall under the reasoning of Mr. Hambro is 65,000 acres cultivated: that is out of a total of over 360,000 acres, as I stated yesterday.

4852. There is only one other question I should like to ask you about tea. The selection and the firing of tea has an enormous effect on the price you can obtain for it?—Yes.

4853. Do you think if China is opened, as it is going to be, to Englishmen that China with a unit of 10*d.*, or 60 per cent. below your unit, would be able to compete with you in the London market?—As I pointed out yesterday, the competition is manifest by our having to accept lower sterling prices in order to keep them out. If China tea were put on the London market and sold at 8*d.* per lb., against 1*s.* 4*d.* for Ceylon tea, it is not only probable but I should think it is certain that there would be some reaction in favour of China tea; the consumer would in a great many cases at any rate begin to think that he would get better value at 8*d.* per pound. We are only able to prevent that state of affairs by accepting lower and lower prices in order to keep China out.

4854. Do you think that the opening of China to Englishmen and to people who understand the cultivation of tea will enable China tea to compete with you more strongly in the London market than it is able to do under native management?—That would be the tendency. With regard to the quality I would point out that it is on the plucking that the quality chiefly hangs. You can greatly improve the tea by what we call fine plucking, but that cuts down the production. Instead of 420 lbs. you will have only 250 lbs. for the same plucking, and the cost per lb. with so many charges running over it would be 25 per cent., perhaps 40 per cent., more.

4855. Then you do not fear competition with China in London even with that preference of 60 per cent.?—We do not believe that it will, even with that bonus, come into extensive consumption again, but we only keep it out by accepting almost unremunerative prices in many cases.

4856. *Mr. Campbell.*) You say that the Ceylon custom is to pay the coolies' wages partly in rice?—Yes.

4857. Has rice been unusually dear lately?—The last 18 months it has been.

4858. Did this add considerably to the cost of the labour charge on the estates?—It added to the cost of labour, yes.

4859. Do you attribute the diminished prosperity of the industry last year in any degree to the additional expenditure arising from that cause?—Very slightly. It was not a formidable factor really.

4860. A more formidable factor would be the English price of tea?—Yes.

4861. So that there have been three adverse influences, the increased cost of labour owing to the price of rice, the low sterling price of tea, and the high exchange?—That is so; but we rather link the latter two together as being connected.

4862. Had there been any other adverse causes leading to diminished prosperity?—The stringency of the money market apart from the exchange itself. That has necessitated in many cases the borrowing of money at 15 and 16 per cent. where under other circumstances they could borrow at 6 and 7 per cent., and the plague has had some slight, but very slight, adverse influence.

4863. The figures you have given us show that the recent extensions of the area under tea in Ceylon have been very large?—They were very large.

4864. Is there any appreciable check to it now?—There is a great check.

4865. Can you say that there is no fresh opening up of land for tea cultivation now going on?—Comparatively little.

4866. Even with new companies?—Some of them were committed to the opening up of a considerable area before this turn came, and of course they have had to go on with them, but there is comparatively little land being actually brought in now.

4867. Still we may say that a further increase in production would mean a further extension of the area under cultivation?—Granted a continuance of the freedom from serious pests, which we have hitherto enjoyed, undoubtedly more land will be brought in.

4868. Is there any quantity of land suitable for tea still available?—There is very little available that the Government is willing to sell. There is a very considerable area of hill land above 5,000 feet, but there is a standing rule endorsed by the Secretary of State here that the Government is not to alienate land above 5,000 feet; that is based on climatic and watershed reasons. That locks up the only considerable area of hill land which there is left. In the low country there is still some land, but not a great amount.

4869. So that there would be a limit to over-production from that cause—the difficulty of getting suitable land?—There would be from that cause.

4870. You say that if a duty were to be imposed on silver you would prefer to make it half in the shape of seignorage and half in the shape of import duty?—Yes.

4871. In that way silver sent in for coinage would have the double tax of the import duty and the seignorage?—Undoubtedly.

4872. While silver imported for other purposes than coinage would escape with half the duty?—Exactly.

4873. Your reason for that is that to increase the import duty would be to raise the value of silver in India?—Not unduly.

4874. You are no doubt aware that one objection urged against the closing of the mints was that it inflicted a heavy loss on the great mass of the population, whose wealth consisted chiefly of silver ornaments?—Yes.

4875. Would not a heavy seigniorage have the same effect to the extent to which it was imposed?—Under my scheme the silver in the country would be augmented in value by just half of the two taxes, whereas if you put it all on an import duty you would appreciate really to the extent of the full amount of the duty.

4876. But looking at it from the point of view of silver in the possession of the people in the shape of ornaments, and so on, which is their ordinary means of hoarding their wealth, would not heavy seignorage be rather a disadvantage?—I do not know that it would be much practical disadvantage.

4877. Suppose you got a seignorage of 10 per cent. instead of a 5 per cent. seignorage and a 5 per cent. import duty. It would be a tax of 10 per cent. upon anyone who wished to realise silver ornaments in time of distress or famine?—Yes, it would be so.

4878. You have spoken chiefly of tea in your evidence before the Committee?—The members of the Committee have principally asked me as to tea.

4879. But of course you are aware that Ceylon produces many other things besides tea?—Yes, it is a large producing country. Tea is the staple.

4880. Those other industries are much more in the hands of natives?—Yes, there is still a little coffee, and that remains in European hands, but it is not much. All the other great exports are what we call native ones.

4881. Would your views, as to the adverse effects of a high exchange, apply to these other articles as well as to tea?—Precisely as regards the one argument of the direct injury of high exchange. As regards the other, where they come into competition with silver-using countries, it might not apply to them all, but it would apply to the larger ones.

4882. (*Mr. Le Marchant.*) Do you consider that the large development in tea production in India and Ceylon has reduced the margin of profit by competition?—I should like to have an idea what is meant by competition. Of course we have always started from the very first with the serious competition of China—the knowledge that China produced what you might call the whole of the world's supply of tea, and from the very start we have had to face that competition and overcome it. If you mean that between India and Ceylon themselves there has been undue competition, I do not think there has been.

4883. I was not using the phrase "undue competition," I meant that the development has been so far rapid that the margin of profit has been brought down somewhat quickly?—You come back, I think, to over-production. It is practically the same thing. I should almost say that over-production is a relative term, and that so long as China and Japan contributed to America and the Continent 150,000,000 lbs. of tea we did not regard, as long as we were on even terms, our production as being over-production. We had pushed China tea out of the English market, and we felt that we could do the same with the other markets if we had been on even currency terms. As long as this enormous quantity of China tea was consumed in the foreign markets I do not think we regarded ourselves as over-producers, but with the reluctance of present buyers to pay a higher sum for our tea, we have had our English consuming market undoubtedly over-supplied.

4884. And to that extent any element in the cost of production such as the advantage, so far as it extends, of a low exchange is the more important?—Undoubtedly.

4885. If you could view the subject apart from Chinese competition, do you think that such an advantage as low exchange gives you, being common to all producers, would not show itself in increased competition, that is to say, that if the element of advantage to you is one that all producers in India and Ceylon share, that would in itself tend to develop competition?—Prosperity, profit-yielding, would undoubtedly bring in more competitors for that prosperity, more competitors for that profit, and in that, as in everything else, we would say that the tendency was to diminish prices. It has been the case, of course, in the past dozen years that profit and prosperity induced others to enter upon the enterprise who would never have entered upon it if it had been unprofitable.

4886. With regard to the competition of China on the Continent and in the United States, to what do you attribute the fact that while you have displaced Chinese tea to a great extent in England, you have not hitherto succeeded to the same extent in those other countries?—Of course there are minor factors, but undoubtedly this bonus is one of them. We had practically displaced China tea in the consuming market of England before China and Japan had this bonus. If that had existed 12 years ago say, our struggle to oust China out from this market would have been very much more difficult, and probably we should not have succeeded; but we had practically ousted China tea before China got this bonus. I would mention quite *apropos* of your question a circular dated the 16th of this month from Hankow, which I should like to read: "Hankow telegrams to "date give the arrivals as about the same as last year. "Russian buyers have purchased considerably in "excess, the quantities being 440,000 half chests "against 330,000 half chests last season, while for "other countries settlements are 100,000 half chests "against 138,000 half chests. The prices paid for "common grades are reported as much higher, and "have been taken principally for Russia." Of course "prices much higher" means in local currency. There we have an instance of the fact that at the present moment Russian buyers are increasing their purchases of China tea, owing to the fact that they get a cheaper article.

4887. Has not the taste of Russia as a rule been very much in the direction of China tea—they regard it as very delicate?—Just in the same way that the taste of England used to be.

4888. (*Chairman.*) But we have never had those very expensive teas here, I think. Is not there a China tea which we may say is equivalent to the highest brand of champagne?—There is, but with a considerable knowledge of the Russian tea trade, owing to my having gone there last year on behalf of Ceylon, I find that the idea that Russia consumes a large quantity of expensive tea is without foundation; she consumes a relatively small quantity of extremely expensive fancy tea, but the great bulk of the tea she consumes is very common tea indeed.

4889. The average is disturbed by the very high price of a small quantity of the tea she takes, but that is no indication of the total quantity of tea she takes?—Quite so.

4890. (*Mr. Le Marchant.*) You would not say that there was considerable consumption in Russia of fairly high-priced tea?—Considerable in the sense of the proportion to the total, I would think not.

4891. How far do the duties imposed by Russia and certain disabilities also on the importation of tea from India and Ceylon operate. You are put at a certain disadvantage, are you not?—The chief disadvantage is the admission of China tea across the Siberian frontier at a reduced duty. As regards China tea coming by sea, of which a large quantity now comes by the volunteer fleet to Odessa, 27 million lbs. came from China to Odessa last year. As regards that quantity of tea, our tea shipped from Colombo in the volunteer steamers is exactly on the same terms; being carried in Russian bottoms they both get the preferential rates. Were our tea going in a bottom other than Russian there would be a disadvantage in the preferential rates. But Ceylon tea shipped from Colombo in a Russian steamer is at no disadvantage as regards China tea shipped in the same steamer. Tea has to pay a duty of 1*s.* 10½*d.* on entering.

4892. Some representations have been made by the Indian tea trade as to that?—Undoubtedly. By the accident that the Russian volunteer fleets call at Colombo we are enabled to ship our tea by them. From Calcutta, carried in foreign bottoms, they would have a less favourable railway rate to Moscow. Then there is the question of the Siberian frontier duty, but that equally affects China tea going by sea as it affects Ceylon tea going by sea.

4893. (*Sir C. Crosthwaite.*) Does not much more China tea go in Russian steamers than Ceylon tea?—Oh yes, Russia practically consumes nothing but China tea.

4894. Which their own steamers take out?—These volunteer steamers take it. It is their chief cargo at one time of the year.

4895. They do not call at Ceylon?—Oh yes, regularly.

4896. Do they take a large quantity of tea from Ceylon?—No, because the Russian market is not developed. They take all that there is going direct, but I will not say that it is a large quantity.

4897. (*Mr. Le Marchant.*) Suppose the exchange fell, for instance if the mints were opened, how would you consider the question of taxation? Some suggestion has been made by Indian growers that they would be prepared to bear an export duty. India

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has charges of sterling debt to meet, Ceylon, I think, is not in the same position?—Its sterling obligations are relatively much less.

4898. Would the Ceylon grower be prepared to share in the burden of an export duty?—The Ceylon grower, I have not the slightest hesitation in saying, desires not the least advantage over the Indian grower, and he is quite willing to be put on even terms as regards any export duty. Of course, were export duty levied on Ceylon tea in order to make it compete on fair terms with Indian tea, that would not be handed over to India. We are quite willing to be on even terms with India. We want no advantage, and if, in order to relieve the anxieties of the Indian Government, an export duty was required on Indian tea, I have no hesitation in saying that Ceylon would be quite willing to re-arrange its taxation so that it might not get any protection, as it were, owing to that Indian duty. We are not called upon to share the burden of India as regards paying its debt. India's burden is of course its own.

4899. You were alluding just now to the effect of stringency in the money market. You said that that made a difficulty in obtaining loanable capital for working estates?—It does.

4900. I think you said also that it told on the price at which estates could be realized, and you said that in case of selling estates during the recent stringency, less favourable prices were obtainable?—I did not attribute the less favourable capital prices obtainable so much to the actual stringency as to the fact that profit had fallen, and consequently buyers were reluctant to buy, at all events at anything like the rates given when they were more profitable.

4901. Do you think a buyer would give as high prices when the profits of exchange were uncertain? For instance, the reason you were giving for the withdrawal of capital, that exchange was at its maximum, and might conceivably fall, would operate equally in the purchase price that a buyer would offer, would it not? He would be paying a high rate, with the risk of some day or other getting back his capital at a lower rate?—He must realize that the capital value of his estate depends on its profit-yielding capacity, and, if a low exchange increased that profit-yielding capacity, it will increase the rupee value of his estate accordingly, and the increased rupee value would make up in many cases—far more than make up—the loss that he would make if he took his capital back to England. Suppose a man sends out from England 10,000*l.*, and buys an estate in Ceylon at a certain rate. Then there comes a lower rate, and the profit from the estate goes up 50 per cent. His capital value will follow, perhaps not to the full extent, but he will sell out at the end of a few years at a much bigger rupee sum than he gave, and that rupee sum might equal 12,000*l.* for the 10,000*l.* that he put into it.

4902. With the tendency of profit to be reduced to whatever is the usual margin in such a trade would not the advantage of low exchange eventually work itself out?—No more than the advantage of a brisk market would—no more than the advantage of cheap freights or the opening of the Suez Canal, or anything that tended to make produce cheaper and competition keener.

4903. Then you think the buyer would get back the full value of the capital that he invested at some later time. That is to say, that the rise in capital value in rupees might be expected to correspond to the fall in exchange?—In the past it has much more than done that. We found that the profit-yielding capacity had increased so much, and he got such a very much larger rupee sum, that although he had to take that home with him at a much lower rate of exchange, yet the net sterling sum was much in excess of what he brought out.

4904. And that you attribute to the rate of profit?—To the rate of profit entirely. The capital value of the estate hangs on the profit.

4905. So far as providing loanable capital is concerned, a stable exchange is material in that respect, is it not?—A stable exchange, other things being equal, is a convenience, but I would draw your attention to the Ceylon Currency Commission on that point, which is very exhaustive. It comprised the inquiries of bankers, planters, and representative men, and their distinct statement is that: "The evidence we have is "conclusive that that fall has not prevented the intro- "duction of all necessary English capital, and it is "stated that there is more capital offering for invest- "ment on reasonable terms than has ever been the "case before. There is no practical or legal difficulty "in securing the repayment of sterling loans in sterling "value, and the loans of English capital, almost "entirely made to Europeans, are so secured. Native "borrowers and lenders deal entirely in rupees, and "have been in this respect unaffected by the fluc- "tuations of exchange." That condition of affairs in 1892, when there was any amount of capital offering, and the rates of interest in Ceylon went lower than they ever were, continued up to about 15 months ago. In spite of the unstable exchange and the possibility of a fall, there was more English capital offering than had ever been known before, and as the result the price of estates, as based on the number of years' purchase, went up considerably. A few years ago I was valuing estates at six years' purchase. Latterly for good high estates 10 years' purchase was easily obtainable, and that in spite of what you may call the unstable exchange. Ceylon, I state without the slightest hesitation, has never suffered owing to exchange from want of foreign capital.

4906. (*Mr. Hambro.*) Until it was fictitiously raised?—Until it was raised.

4907. (*Chairman.*) You have quoted again and again from the Ceylon Currency Commission Report. Was that a Commission appointed by the Government? Yes.

4908. Was it confined entirely to gentlemen in Ceylon?—Yes.

4909. It was purely a local Commission?—Yes.

4910. It was comprised of the best men in the colony?—It was comprised of representative men.

4911. Now I want to have clear the exact amount of tea that comes to the English market both from Ceylon and India. The entire import of tea into the United Kingdom in the year 1896 in round figures was 266,000,000 lbs.?—We shall get into difficulties there. You must remember that if you take the entire imports to Great Britain a very large proportion of that goes out again.

4912. I am aware of that, I am taking first the amount that goes in, I am not talking about the consumption. My question is the entire amount of tea that comes in is now I suppose 270,000,000 lbs.; in 1896 the exact figure was 266,394,122 lbs., that was the entire tea that came into Great Britain?—Yes.

4913. How much of that came from India. I find that in that year there came from India 142,000,000 lbs., and there came from Ceylon 110,000,000 lbs. Then I have here the figures in 1897. The figures in 1897 were from India 153,500,000 lbs., and from Ceylon I think you gave us in your evidence the figure of 116,000,000 lbs.?—No, my 116,000,000 lbs. was the export from Ceylon, which is quite a different thing from the import to England. Of that export, 29,000,000 were consumed outside the United Kingdom, although some of it passed through the United Kingdom. I am prepared with all the Ceylon figures. I cannot give you the Indian ones.

4914. Give me the Ceylon figures; how much of the 116,000,000 lbs. came to Great Britain?—My total of 116,000,000 was for last year, 1897, and of that 98,000,000, almost 99,000,000, came to the United Kingdom.

4915. Including what passed through?—Including what passed through.

4916. Then what is your proportion as compared with India; in round figures it is two-thirds; India

is between 150,000,000 and 160,000,000 lbs. and Ceylon is 100,000,000 lbs.?—Speaking for the Ceylon figure, that would be right.

4917. Now there is one uninterrupted rate of progress. The great jump from 1887 to 1888 was 10,000,000 lbs. In 1887–88 what was the exchange value of the rupee?—In 1886 it was 17½*d.*

4918. But where the great jump began was in 1887. You exported 13,824,000 lbs. and the next year you exported 23,820,000?—Yes.

4919. What was the rate of exchange in that year?—That is 1888.

4920. 1888–89?—16½*d.*

4921. Now you have a still more enormous jump next year; from 23,000,000 you go up to 34,000,000?—Yes.

4922. And the exchange is still a little higher, 1*s.* 4½*d.*?—Yes.

4923. Then you have an enormous jump next year up to 45,000,000, and the exchange is then 1*s.* 6*d.*?—Yes.

4924. Then it is 1*s.* 4*d.*; there are two years in which it is 1*s.* 2*d.*; there are two years in which it is 1*s.* 1*d.* and then it goes up to 1*s.* 2*d.* and then to 1*s.* 3*d.*?—Yes.

4925. Now with those figures before you do you say that the progress of the tea trade in Ceylon has been materially affected by the rate of exchange?—Undoubtedly.

4926. Although you see that the greatest improvement in the tea trade was co-temporaneous with the high exchange rate?—Precisely. The explanation is very simple. Tea takes five or six years to come into full bearing and the tea that was planted during the period of the downward rate of exchange did not come into bearing for some years afterwards. Tea planted in 1886 would not come into bearing until 1890. It is due to the fact that tea is not an annual or a serial but a perennial. You will see, for instance, the year after next, no matter what the exchange may be, probably bigger exports from Ceylon because a lot of tea has been planted during the last few years encouraged by the low exchange.

4927. But this rate is going on allowing for all that—the tide seems never to turn?—The rise of exchange in 1890 was regarded as an extremely serious one at the time, and the belief and hope was that it would not be permanent. But at that time again we were linked with China. We knew that, if the rupee went up it would injure us but we could still fight on because China would be equally injured. It is only since then that this divergence between the bullion and the currency value has made the matter much more serious.

4928. Now you said in reply to Mr. Le Marchant that you practically have no remittances to make to England in respect of your Government expenditure?—Oh, yes we have. Ceylon's gold debt is about 2½ millions sterling.

4929. Is that all held in Great Britain?—That is all held in Great Britain.

4930. What is the amount of interest on that?—It is practically all for public works on which there has been a slightly varying rate of interest on sinking fund. We have the full details in the Currency Commission Report.

4931. How is the balance of trade between you and Great Britain?—Undoubtedly the balance of trade is strongly in our favour although the Government figures do not bring that clearly out.

4932. I did not catch the figure you mentioned, but you said that a rise of 20 per cent. in the value of the rupee affected you to a certain amount. What was that amount?—If it fell 20 per cent. Ceylon received 10,000,000 more rupees for a given quantity of sterling.

4933. Supposing it fell 50 per cent. what would that be?—As long as the local purchasing power of the rupee continued, as it has continued in the past, practically unaffected, the benefit would be in direct proportion.

4934. And so if it went to 70 or 80 per cent.?—With the qualification that the local purchasing power remained the same it would go on even at 70 or 80 per cent.

4935. In other words, if you could buy a depreciated currency at a lower price the profit would still become greater to the capitalist who paid his wages in the depreciated currency?—No, that is too broadly put. Were it a depreciated currency, say for instance a South American printing-press note issue, it undoubtedly would not do so, but where the local currency proved to be stable as regards local prices it would be so.

4936. Now, you were asked by Mr. Campbell about the effect of an import duty and seignorage. In your judgment, who pays an import duty?—I think, speaking roughly of course, the people of the country have to pay it. Although the particular class may have to pay it in the first instance, it filters through to the people of the country ultimately.

4937. Take the import duty on a certain article, say tea; who pays that?—The user.

4938. The consumer?—Yes.

4939. If the Chancellor of the Exchequer last month had put on a duty of 2*d.* a pound on tea, the consumers of Great Britain would have paid that duty?—That would be one of the instances where it would take a little time to filter through to the people of the country.

4940. But suppose he had put on 2*d.*, the consumer would pay it?—The moment it got into the hands of the middleman, the consumers would have to bear it.

4941. Do you know that when Mr. Goschen took 2*d.* per pound off tea it was reduced in every grocer's shop in London the next morning?—On paper. The reduction of a duty of that kind forces the retailer, I think, to be not very honest. His 1*s.* tea that he was selling the day before the duty he is bound to sell now at 10*d.*; but he probably puts in a 10*d.* tea.

4942. And you are equally sure that if the duty was raised the retailer would put it on directly?—As soon as he could.

4943. Now, assume that a large duty was put on silver in India, tell me who would pay that duty?—The user of the silver.

4944. That is the consumer in India?—The consumer in India.

4945. Then how does it make him any richer in his currency?—It would not make him any richer so far as that particular direct action was concerned.

4946. Assuming that the general value of silver throughout India was raised by an import duty dealing with internal transactions in India only, that would have no effect?—That would have no effect.

4947. But the moment the consumer in India wants to send out his silver to a country where there is no such duty, then his silver is down?—I hardly follow that.

4948. Let me take a concrete illustration irrespective of the present figures. Let us take it that the intrinsic value of the rupee was 1*s.*, and a duty was put on which made its value in India 1*s.* 3*d.*; that rupee has to be remitted to London to get its gold value for any purpose you like. In London there is no such duty, and therefore the intrinsic value of the rupee in silver is only 1*s.*?—Yes, the bullion value.

4949. It will not fetch more than 1*s.*?—No; if there is a shilling worth of silver in it, it will fetch 1*s.* as bullion. Might I make a remark in connection with that reasoning? Whatever its application may be when you are considering an export and an import of perfectly equal value, even if you include the portion of the indebtedness, it does not apply to the surplus—to the accumulation which the producer is making over and above his living. Suppose he saves 20 or 30 rupees, or suppose he saves a certain amount of produce and gets more rupees for it, it undoubtedly adds to his own accumulation if there is any saving going on at all.

4950. I was simply asking you with reference to its exchange value. I quite see the force of what you

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say, but its exchange value would not be affected by an import duty confined to the country into which it is imported; I am supposing there is not a universal duty?—Not the exchange value as regards bullion, but of course at the present day we know that it has been affected in an artificial way by the closing of the mints.

4951. Its exchange value?—Its exchange value has been affected. The exchange value, were it a bullion coin and passing as bullion, of course, would not be affected, but if it were an artificial value it would be, and with seignorage and import duty you would have an artificial value of the rupee, which would extend to its external exchange value.

4952. Is there not an artificial value on all token currency?—I would hesitate to broadly answer yes. Certainly it is so with silver tokens.

4953. What is the intrinsic value of our shilling?—Less than half its face value.

4954. Yet if I go out into the street its worth to me is the twentieth part of a sovereign?—Yes.

4955. Then that is an artificial value?—It is an artificial value.

4956. Raised by the Act of the legislature?—Yes, it is, but it is not legal tender beyond a small amount, and is subsidiary to a standard coin.

4957. It is not legal tender beyond 40*s.*, but you can raise a token currency, and its value is always arrificial, is it not?—I would think not. I would say that the silver currency of England was a token currency at a time when it was on a par with gold.

4958. When was it ever on a par with gold?—I should say about 1869 or 1870.

4959. There was always a very large margin. When they resumed cash payments, when silver was 5*s.* an ounce, the intrinsic value of 20*s.* was only about 18*s.* However, we will not pursue that. Now you have told us about the dividends paid by various companies. Were those high dividends paid on the original sums invested or upon the increased values you mentioned?—The older companies purchased their estates at lower prices than the later companies, and their dividends are paid upon the sums that they then acquired the estates at.

4960. (*To Mr. Leake*). I understand that Mr. Leake will prepare for us a table of the capitals of the various companies and their dividends extending over this year?—Yes. The dividends can be comparatively easily given. I thought you were asking for the cost per pound of tea in the case of each company.

4961. No, I only want you to show the capital of the companies and the amount of their dividends?—We have it all here; there will be no difficulty about that. You mean English companies?

4962. All companies, local companies as well as English companies?—Very well.

(*The Witnesses withdrew.*)

Mr. C. S. Cox.

Mr. CHARLES STEWART COX called and examined.

4963. (*Chairman.*) Where do you reside?—5 and 6, Billiter Avenue, is my City address.

4964. How would you describe yourself, as a merchant or a broker?—I am both.

4965. Engaged mainly in the Indian and Eastern trades?—Yes, and American.

4966. Have you had experience of trade with Ceylon as well as with India?—I have lived in Ceylon, but I have had no experience of trade with it.

4967. May I ask how many years you lived in in Ceylon?—About two years.

4968. When?—I was there in the years 1879 and 1880 and part of 1881.

4969. Have you been in India at all?—Only temporarily.

4970. I suppose you are very much interested in currency questions between England and India?—Very much.

4971. Will you tell us your experience first as a business man as to what was the condition of things prior to 1893, when the mints were closed?—And while exchange was falling?

4972. Yes. Was that advantageous or disadvantageous to trade?—I think it always imported a very speculative element into the trade, and a great deal of business that was done resulted from your taking a correct or incorrect view of the course of exchange.

4973. Would you mean by that that business transactions had imported into them an element of uncertainty owing to a doubt as to how the transactions would ultimately work out through the exchange?—Yes, exchange was one of the three items in my business which you had to reckon with, and was one of the most uncertain of the three.

4974. And that you consider a great disadvantage?—I do. I consider it a great disadvantage.

4975. You remember the closing of the mints?—I do.

4976. Will you tell the Committee what you think of the policy of closing the mints?—I thought the intention which underlay the closing of the mints was favourable from my point of view, the intention being to steady exchange.

4977. The rise in exchange did not take place for some 12 months after the mints were closed?—As far as I recollect, not.

4978. In 1892-93 the exchange was nearly 1*s.* 3*d.*; in 1891-92 it was 1*s.* 4*d.*; in 1892-93 it was 1*s.* 3*d.*; in 1893-94 it was rather lower, 1*s.* 2½*d.*; in 1894-95 it went down to 1*s.* 1*d.*; in 1895-96 it was 1*s.* 1½*d.*; in 1896-97 1*s.* 2½*d.*; in 1897-98 1*s.* 3½*d.*, in round figures?—Yes.

4879. Will you tell us what the effect on trade was when the operation of closing the mints came fully into work?—The immediate effect was a fall in exchange as soon as it was discovered, of course, that the rate could not be held up, and the effect on our trade was simply the same as before—great uncertainty about exchange. As I say, while the intention was, from our point of view, a favourable one, the effect on our business was to leave our business exactly as it was before.

4980. Then, when the rate of exchange began to rise, what was the effect?—I do not think we have ever regarded the position as altered until recently.

4981. That is, you consider the element of uncertainty still exists?—Certainly.

4982. In fact, as I think you say in your memorandum which I have before me, you consider that the policy hitherto has been a policy of drift?—Yes.

4983. Do you think that is a desirable policy either for India or Great Britain?—No, I do not.

4984. Have you considered the proposals of the Government of India?—Well, I am not a currency expert. I have taken a good deal of interest in the subject, and I have read the proposals of the Government of India.

4985. Just tell us how they strike you as a business man?—Entirely as a business man, and not at all as a currency expert, the immediate effect upon me of the despatch from India was one of great disappointment, because, while I do not pretend to understand these questions, I was rather of opinion that the proposal to melt rupees, while it might from an expert point of view be supported by good argument, that is a question I am not competent to go into, I thought from the general appearance of the thing that it would be very unfavourably received in England.

4886. Have you any opinion as to how it would be received in India?—I thought that the mercantile community in India would receive it very much the same as it was received here.

4987. Now what was your opinion as to melting down rupees?—I do not wish to be dragged into a scientific discussion about it, because I am not competent to go into it. It was mostly the objection on the point of the appearance of the thing to people who might not understand the technical arguments in favour of it, if they existed. I had a feeling myself which was probably shared in by a good many, that it required rather an expert to understand why currency should be redundant, and why it should be necessary to melt down rupees, when the bank rate in India was 14 per cent.

4988. In other words, you thought that the existing stringency of the money market in India rather militated against the assertion that there was a redundancy of currency?—I do not consider that I am competent to enter into that, but I had the feeling that that was a question that might be asked, and one that it would be rather difficult to answer in the ordinary way.

4989. What would be your view of re-opening the mint?—I think it would be absolutely disastrous.

4990. To trade?—To trade and the conntry.

4991. That would be the worst development of the policy of drift?—I should think the very worst.

4992. You think that same change should be made?—I think it ought to be possible to find some way of backing up the 1*s.* 4*d.* rate, or whatever rate was agreed upon, and I think, if possible, it would be very much to the benefit of the country and to the mercantile community.

4993. Does the ordinary prudent merchant want fixity of exchange?—I think he does.

4994. You think that an essential element totally irrespective of the rate?—Yes, I think it gets rid of a very speculative element in anybody's trade.

4995. Are you at all aware of the movements of what is called loanable capital to and from India?—Yes, from my own experience, I understand the movements of loanable capital.

4996. Since what you call the policy of drift has been inaugurated, has your experience been that capital has gone to India or come back from India?—I think clearly it has come back.

4997. The capitalists avail themselves of the high rate of exchange?—I think not only capitalists, but private people with balances—of course in the aggregate representing a large amount.

4998. Now, suppose there was fixity of exchange, do you think that capital would go to India?—Yes, I undoubtedly think so.

4999. For all purposes?—For all purposes.

5000. Both for investments and loanable capital?—Yes.

5001. Private European balances when the exchange was, we may say, permanently fixed at high rate, were invested in local enterprises?—Such is my information.

5002. And since then brokers have received standing orders to buy exchange as soon as "such and such" a rate is reached?—I have heard so.

5003. (*Sir F. Mowatt.*) "Such and such a rate" being what?—Whatever rate it might be. I do no fix any particular rate.

5004. (*Chairman.*) Have you any experience of limited companies with sterling capital in India having kept a portion of their capital in London earning a low rate, while they have been borrowing money in India at a high rate?—I have.

5005. Can you give us the rates at all?—The deposit rate in London was probably 1¼ or 1½ per cent., and the rate paid in India was not less than 8 per cent.; it might have been more.

5006. And you think that sooner than face the risk of a heavy loss on exchange they preferred temporarily to borrow in India at 8 per cent., and leave their money safe in London at 1 or 1½ per cent.?—I have known of such cases.

5007. That reduced the loanable capital in India if that is so?—Clearly.

5008. (*Sir F. Mowatt.*) May I ask was that at any particular crisis?—It occurred in a case within my own knowledge previous to last Christmas—during the autumn and up to Christmas of last year.

5009. (*Chairman.*) Now the despatch of the Government of India, which you have already alluded to, proceeds on the basis that currency is redundant. Did the currency become redundant contemporaneously with a scarcity of loanable capital?—If you accept the statement of the Government of India that currency was redundant, certainly.

5010. Just explain that to the Committee in your own words?—The Government of India says that currency is redundant. You could not discount the finest acceptances in India under 13½ per cent., perhaps even more, at one time, and I think that that is sufficient evidence that there was a scarcity of capital available for ordinary requirements of trade.

5011. I will just read what you say in your memorandum, and then you can explain it in your own language. You say, "Currency may be loanable "capital if it gets into the right channels and put "into circulation, but that loanable capital need not "be currency; it is currency plus credit"?—That is my view.

5012. Just give the Committee the illustration on which you base that?—For instance, a banking house in London may have 100,000*l.* of gold in its vaults—that is currency; but it may not be available for the clients of that house if credit is shaken. Currency or capital is much less useful than "credit," and there is hardly a business in London that could be carried on entirely on such "currency" as any one firm could command. The business of the Bank of England could not be carried on, I take it, on the volume of gold which it has got in its coffers, and I rather think that one or two houses—I may be technically wrong here—but I think that one or two houses in London, if they put their heads together and wanted to do it, could take away the great bulk of the gold from the Bank of England at one sitting. That is the reason, I think, that business cannot be carried on entirely on currency, and it is not even so carried on here.

5013. Now to test this, just take the converse case. You have been taking the case of loanable capital hardly existing and currency being redundant. Now take it the other way?—I draw no deductions from it, but in America during the financial panic of July 1893, it was extremely difficult to get change for a 50 dollar bill. If you went to a bank at that time with a cheque for 25,000 dollars and you had 200,000 dollars lying to your credit, the bank would say, "What is the very least you can do with; here is a "cheque for 25,000 dollars; cannot you do with "5,000 dollars?" If you said "No," they would say, "What is the very least you can do with?" I am not an expert in these matters; I can only say what has been my experience. I never heard it suggested that currency was either redundant or otherwise in America at that time, but you could not get hold of it. On the other hand, so far as my own business was concerned, there was no difficulty in borrowing money here to send to America against securities in America.

5014. Yet there was great difficulty in getting currency in America?—I believe there was.

4015. Just before the last Presidential Election was there great difficulty in obtaining money in London on American securities?—There was an entire absence of confidence in the position, and it was most difficult in my own business to borrow money.

5016. Was the reason of that the fear of a return to a silver standard?—I think that was the fear.

5017. China, at present, has no currency at all, has it?—I believe internally not, except lumps of copper and bits of silver—no currency as we understand it.

5018. They introduce a large number of Mexican dollars, do they not?—I think that is chiefly, if not entirely, in the Treaty Ports.

5019. Now let us come from generals to particulars. Your firm is largely engaged in the jute trade?—Yes.

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5020. How many bales do you export from India?—My firm as a firm does not exist in India, but the firms whom I represent here export over 690,000 bales out of this season's crop.

5021. Out of a total of how many?—A total of about 3,500,000 bales.

5022. How is that export affected, prejudicially or beneficially, by a rise or fall of exchange?—The figures which are at my disposal do not show that the variations in exchange have had much effect on the export, and they certainly do not show that the higher exchange ruling during the last year has had any effect unless a beneficial one.

5023. Just give us the figures in round numbers from 1882 to 1898 of the exports of jute from India?—The total exports of jute in 1890–91 were these. I must explain that the season begins on the 1st August and ends on the 31st July.

5024. That would be the season of the year beginning on the 1st August 1890 and ending on the 31st July 1891?—Yes.

5025. What was the total in the year 1890–91?—2,787,000 bales.

5026. 1891–92?—1,732,000 bales.

5027. 1892–93?—2,630,000 bales.

5028. 1893–94?—2,245,000 bales.

5029. Now the year after the mints were closed and the temporary effects had passed away—the year 1894–95?—3,064,000 bales.

5030. 1895–96?—3,094,000 bales.

5031. 1896–97?—2,840,000 bales.

5032. 1897–98?—3,380,000 bales up to date. That is not the total.

5033. At all events this year, you say, 1897–98, which is not yet over, will be the highest export of the last decade?—Yes.

5034. Can you give us the figures as to rice?—For the year 1890 the total export from Burma was 1,287,000 tons; in 1891 1,216,000 tons; in 1892 1,128,000 tons; in 1893 1,304,000 tons; in 1894 1,366,000 tons; in 1895 1,312,000 tons; in 1896 1,257,000 tons; in 1897 1,566,000 tons, the largest on record.

5035. I suppose your opinion would be from those figures that the exchange rate in no way affects the production either of jute or rice?—I do not think it does.

5036. Supposing there was a fixed currency, say at the rate of 1*s.* 4*d.*, would that be injurious to the manufacturing jute industry of Dundee?—No, I do not think it would.

5037. Not even in competition with Calcutta?—I think it would be beneficial in this way, that the falling exchange accentuates the injury which Dundee is suffering.

5038. You think it does?—I think it does.

5039. Then if a falling exchange accentuates the injury, a rising exchange would tend to remove it?—I think there is no doubt that the Dundee manufacturer would be in a better position if the exchange was at 2*s.*, so far as that is concerned.

5040. Are you familiar with Burma?—I have recently been through Burma.

5041. What is your impression as to what it needs for its full development?—My impression is that Burma has been opened up by Government in the most extraordinary way. The railways are perfectly wonderful when you consider the short time that the country has been in the hands of the Indian Government. I think the only thing that Burma wants is the investment of private money.

5042. But the merchants in Burma are not anxious to see that development, are they?—That is what I gathered from conversations with them.

5043. They consider that a limited trade with large profits is preferable to an extended trade with small profits? I would not like to say that is the general opinion, but that is the impression that I brought away from there.

5044. Now is there any other remark that you wish to make in your examination-in-chief? If so tell the Committee what you have to say in your own words?—I have said in my statement here that I think the mercantile community in India are in favour of fixity of exchange. I have heard it recently stated that the Chamber of Commerce in Calcutta is against what the Government of India is doing. I think from information I have from Calcutta it is pretty clear that the Bengal Chamber of Commerce is not against what is being thrashed out before this Committee, but it is against the special proposals of the Government of India.

5045. Your opinion is that the protests of disapproval which have been received from India are based mainly on the objections entertained to the proposals of the Government of India, and not against fixity of exchange?—I believe so.

5046. (*Sir F. Mowatt.*) You said that the unsteady exchange made trade with India speculative, and that was a disadvantage?—Yes.

5047. You did not say—I do not know whether you intended it—that that affected the volume of trade with India?—I do not think it affects the volume of trade so far as it is within my knowledge.

5048. Do you think it has affected either the jute or the rice exports?—The figures do not show that.

5049. Should you say there was any material export from India of which the volume has been affected within your knowledge?—No, there is nothing within my knowledge that has been affected.

5050. From what you have just said it would seem that the Burmah merchants have the same opinion—that the variation in exchange does not really injure the total volume of their trade?—The rice exports are greater this year than they have ever been before. With regard to that, I may say that the lowest point that jute ever touched was in 1882, when it went down to 2 rupees 8 annas after a rather large crop. The lowest point it has touched after the biggest crop on record is about 3 rupees. In 1883 exchange was about 1*s.* 7*d.* At 3 rupees, which I take as the lowest point, it was 1*s.* 4*d.*; and I do not know that anything more was said about the 2 rupees 8 annas, than the 3 rupees. The native of India complains now as much of 3 rupees as he did of 2 rupees 8 annas.

5051. (*Sir J. Muir.*) I think you stated that you understood the majority of the Chamber of Commerce of Calcutta disapproved of the proposals of the Government?—I said that the Chamber of Commerce had expressed disapproval, and I presume that that represents the majority who gave any opinion on the subject.

5052. Have you any information to lead you to suppose that the majority of the Chamber of Commerce approved or disapproved of the arbitrary rate of 1*s.* 4*d.* being fixed by the Government of India?—I can only answer that by saying that I gathered from the newspapers and from general conversation that they do not disapprove of the statement which was made by their president in the beginning of the year I think, based upon the understanding that 1*s.* 4*d.* was what would be aimed at; and I understand that when the Chamber was recently approached again on the subject as to whether or not they were in favour of the present proposals of the Government of India, out of 160 members about 33 replied, and I presume that the majority replied that they were not in favour of the proposals as contained in the despatch.

5053. Had that any bearing upon the rate of 1*s.* 4*d.*?—I do not think that it had.

5054. You have no information?—I have not got the question which was put to the members.

5055. (*Sir D. Barbour.*) You say that the intention of closing the mints was to steady exchange at the rate mentioned at the time. What was that rate?—What I meant was that the intention of the Government was to steady exchange.

5056. At what rate?—At the rate which they gave out.

5057. What was that?—1*s.* 4*d.*

5058. My recollection is that 1*s.* 4*d.* was merely a provisional rate to prevent a sudden and great rise of exchange, and that the intention of the Government at that time was to close the mints and see what happened, and to fix the rate of exchange afterwards. I do not know whether you are prepared to say that you have information to the contrary?—I am afraid without referring back I could not say. My general impression was that they spoke of 1*s.* 4*d.*

5059. Other people have that impression too. If you can find any evidence that that view is correct, will you put it on the notes when you revise your evidence?—Yes.

5060. Now, you do not approve of a policy of drift under the present circumstances?—I do not.

5061. What would you propose to do?—As I have said, I can only speak with any certainty of what I understand, and I might have views which would have comparatively little value to the Committee.

5062. You are not prepared to make any suggestions as to what ought to be done?—I am prepared to say that what I want is convertibility of the rupee. With the slight knowledge that I have of the matter, I do not think that gold being in circulation in India is at all an essential part of any scheme.

5063. You do not wish to suggest any means to obtain that convertibility of the rupee?—No, I think not.

5064. You leave that to the experts?—Yes.

5065. You mentioned a case of a company having kept their money at a very low rate in England while they borrowed at 8 per cent. in India?—Yes.

5066. Did they find it a profitable operation?—No, I think it was more prudent than profitable.

5067. Perhaps if a similar state of things occurred again they might not keep their capital here?—Yes, I think they would under identical circumstances.

5068. You think they would still prefer prudence to profit?—If there was such great uncertainty as there was at that time.

5069. Why is there such a high export of jute this year?—There was a good deal sown last year after the famine. I think the general tendency with the natives would have been to have sown grain, but, of course, there is a scarcity of seed.

5070. Why is there such a high export of jute?—I think there was more jute grown last year.

5071. Was it a good crop?—It was not thought at the beginning to be a good crop, but it has been a fair crop.

5072. The jute that is produced is worked up partly in India and partly exported?—That is so, and the figures only deal with exports. The general tendency of the jute crop in India is to increase.

5073. There are more jute mills in Calcutta than there were?—Oh yes.

5074. And it is to be presumed that they have worked up more jute?—No doubt.

5075. There is also a larger quantity exported?—A larger quantity exported.

5076. And, therefore, we may fairly reckon that there has been a larger quantity produced?—Certainly.

5077. That would be quite independent of the rate of exchange?—Yes.

5078. Then why has there been so much more rice?—I believe the weather conditions have been favourable.

5079. That is another case of a good crop?—That is another case of a good crop. It appears on these diagrams that the jute crop and the rice crop have varied the same way.

5080. Do you think the tea trade has been affected by the continuous fall in exchange?—The tea trade?

5081. The production of tea in India and Ceylon?—I think the profits of the tea gardens may have been increased by the fall in exchange at the beginning.

5082. You think it would not last. Has it lasted or not, do you think?—I do not know very much about tea.

5083. (*Sir C. Crosthwaite.*) You say in your statement that the exchange rate has nothing to do with production?—Yes.

5084. Has it nothing to do with the export of what is produced?—I do not think the figures show that it has.

5085. In your experience, does a fall in exchange cause a merchant to lower his sterling prices?—I think that it always lowers sterling prices here.

5086. That is what I mean. Would not that increase the demand here? When you were able to put the article down here at a lower sterling price would not that naturally increase the demand for it here?—If the fall in exchange was sufficient to put the price down to a figure at which all manufacturers considered that buying jute was a perfectly safe thing it would, but I do not think that taking into account the production at the same time it has had that effect.

5087. Still you think that sometimes it does lower the sterling price?—I think the tendency is to lower the sterling price temporarily.

5088. And the lower the exchange falls the more rupees the Secretary of State has to sell in order to meet his liabilities; is not that so?—So I understand.

5089. Would the fact that the Secretary of State has to increase the sale of his rupee bills tend to increase the export?—I do not think it would have any effect on the exports one way or the other.

5090. Do you think if the Secretary of State has to take a lower rate, if he must sell his bills, and he lowers the rate in order to sell his bills, that that acts indirectly as a reduction of the sterling price?—I presume that it has the effect of lowering the exchange, and the immediate effect of lowering exchange is a tendency to reduce the sterling price here. But I think it all depends on supply and demand, and I think in any one year the effect remains very much the same either way. All I mean is, that if the statistical position of an article be good, a fall in exchange raises the rupee price. If it is bad a fall in exchange is an excuse for putting the sterling price down.

5091. (*Sir A. Dent.*) You say in your memorandum, "As long as there is any uncertainty about "the Indian currency, the silver party in America "will hope against hope that the mints will be "opened, and will act accordingly." Then you go on to say, "When the Indian currency is effectually "settled, the Straits Settlements may possibly join "hands with India." May I ask if you have any special information about the Straits Settlements joining with India? Are they so bound up with Burma?—Joining with India has been talked about in the Straits Settlements, but I have no special information on the subject.

5092. (*Mr. Holland.*) You tell us that in your opinion the fixity of exchange is wanted even more by the country at large than it is by the prudent merchant?—I think so.

5093. Do you think the mass of the people care very much about the rate of exchange?—Well, I put the country before the merchants, who are a very small body; that is all. I think the country would benefit.

5094. You think it would be to the real interests of the country?—Certainly.

5095. You do not suggest that the country are clamouring for such and such a rate of exchange?—Oh, no.

5096. Because it is probably a question about which the people have not very much knowledge?—No.

5097. So that the actual interest in the question is limited to the external trader, whether exporter or importer?—I think so.

5098. You expressed the opinion that fixity of exchange would have the effect of attracting capital once more to India?—I think so; undoubtedly.

5099. Do not you agree that before capital is to go out to India there must be a reasonable prospect of its permanent profitable employment there?—I think so.

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5100. You think that that prospect would be materially improved by fixity of exchange?—I think there is plenty of opening for the employment of capital in India if it can safely go there.

5101. You think it is deterred by the uncertainty in the matter of exchange?—Certainly.

5102. You instance the case of a London bank, which you say might have 100,000*l.* of gold in its vaults, but it might be too timid to lend that 100,000*l.* if credit were shaken. You do not suggest, do you, that that timidity has been operative in the case of the presidency banks lately, and that they have had very large sums in their vaults, but have been too timid to lend it?—No.

5103. Do you think if they had had money probably the 13½ per cent. you mentioned would have induced them to lend it?—You mean the presidency banks?

5104. Yes?—No doubt.

5105. You are aware that they have had the best security tendered to them, and yet have refused to lend?—That is so.

5106. You decline to say whether or not currency is redundant, but still you admit that it is very difficult to get hold of?—It is difficult to get hold of as loanable capital.

5107. Do you think the melting down of rupees would increase that difficulty or diminish it?—I do not think the melting down of rupees is necessary at all.

5108. Referring to the question of sending home capital, which you tell us has been resorted to largely, could you tell us from your own knowledge if much of it has been sent home in the form of rupees?—No; I think it has come home in the form of bills.

5109. So that the sending home of that capital has not diminished the stock of rupees remaining in India?—Presumably not.

5110. You speak with great authority of course on questions affecting the jute trade, and I think you have expressed the opinion that the Calcutta jute industry has not been in any way affected by the 1*s.* 4*d.* rate of exchange?—You mean the raw jute?

5111. Will you tell us what view is entertained by those who are engaged in manufacturing jute in Calcutta as to the policy of closing the mints. Has it affected them adversely or not?—I think it may have reduced their profits a little.

5112. What is your judgment as to the effect of a high or a low rate of exchange on the Calcutta jute manufacturing industry?—I think they would have made more money if exchange had been at 1*s.* than they are making at 1*s.* 4*d.*, in rupees.

5113. And of course they would rather have a condition of things which would increase their profits?—I think so.

5114. (*Chairman.*) You think they would have made more money if it had gone down to 6*d.*?—I think they would have made a great deal more. I think if I had a share in the profits of a jute mill I would like to open the mints; if on the other hand I had money invested in a jute mill I might from a broad point of view prefer to have it fixed at 1*s.* 4*d.*

5115. (*Mr. Holland.*) You expressed the opinion that Dundee has been advantaged by the improvement in exchange, and I suppose it would not be unfair to suppose that the Calcutta manufacturer would be at a corresponding disadvantage. What is to the advantage of Dundee would be to the disadvantage of Calcutta. Is not that so?—I think it would be a little.

5116. Do you think the Calcutta jute manufacturers are as largely dependent on their export trade as the Dundee manufacturers are?—I should think they were, but I have not figures as to that.

5117. You told us you were yourself disappointed with the proposals of the Government of India when you saw them, and you told us further that what you particularly desire is convertibility of the rupee into gold, and gold into the rupee, mutual convertibility, but of course you admit that that is a very hard nut to crack?—That is all I want. I do not care how it is convertible.

5118. (*Sir J. Muir.*) Nor the rate at which it is convertible?—I think I would prefer to have it convertible at a rate which is current. I would prefer not to have it converted at a rate which may be a surprise.

5119. (*Mr. Hambro.*) You argue that currency may be loanable capital if it gets into the right channel. If I have any loanable capital and I want to lend it to you, how can I lend it to you except by lending you currency? What other means have I of lending it to you?—Well, you might accept my bill.

5120. I might give you an acceptance at three or six months?—Yes.

5121. Is the internal trade of India carried on on currency, on acceptances, or on payments in cash?—Well, I can only tell you what is done in my own business, and that is, that if I require cash in the country I draw bills on the Bank of Bengal, in Calcutta, and the branch house gives me currency.

5122. You have to do your business with currency. You raise your currency on acceptances, but you have to do your business with currency?—A certain proportion of it.

5123. Is not nearly the whole of the Indian internal trade carried on by payments in currency?—I am not sufficiently conversant with the internal trade of India to answer that.

5124. You say a banker having 100,000*l.* of gold in his vaults, that gold would not be available if credit were shaken. Would the banker be likely to lend his 100,000*l.* in any other form of loanable capital if credit was so shaken that he would not lend it in gold?—Probably not. I think that would equally apply.

5125. You rather seem to think that currency is not necessary for the carrying on of business; but if anybody were to give you a cheque on his banker in England, and he had not the currency at the bank to meet it, would not that be a fraudulent cheque?—If he had not a balance at the bank, do you mean?

5126. If the man had no currency at the bank, the cheque would not be paid?—Of course not.

5127. You said you had known an instance of a bank leaving its money here at 1 per cent., and borrowing in India at 8 per cent. I suppose that is only because it could re-lend it at a higher rate?—No. In the case I speak of (which may be one of many, of course) it was simply that the directors in London prefer to pay 8 or 10 per cent. or 11 per cent. in Calcutta, rather than run the risk of sending their money out to Calcutta at the then rate.

5128. May I ask, if they kept all their capital in England, what they were doing business with in India?—They were borrowing money at a high rate of interest.

5129. Because they would make more of it, else they would pay no dividends?—I quite follow that, but they wanted the money; that was the point.

5130. (*Mr. Campbell.*) You say that the want of fixity of exchange introduces a speculative element into business?—Yes.

5131. Has that been your experience as a merchant?—Yes, I think so.

5132. Take what I suppose to be the usual course of a merchant's business; a merchant in Calcutta has got to sell certain produce in London; he does it all by telegraphic advices, does he not?—Yes.

5133. He knows what prices he can get in London; he knows what prices he can buy produce at in Calcutta?—Yes.

5134. He knows the freight that he has to pay, and the only other question open is the question of exchange, is not that so?—Well, the three questions are open.

5135. I mean supposing he fixes two out of the three, why does he leave the other open; it is only if he leaves the other open that there is any speculative element entering into it?—I think in the bulk of the business which is done in Calcutta, in the bulk of the export of products, there are three items which have

got to be covered, and I think I may safely say that in 99 cases out of 100 one item is not covered.

5136. Which is that item?—It may be any one of the three.

5137. (*Chairman.*) What are the three?—One is the cost of produce, another is the freight payable for the conveyance of the produce, and the other is the rate of exchange.

5138. (*Mr. Campbell.*) Why should he leave any one of these open?—In a great many cases, of course, it is impossible to do the business without having some risk in connexion with one of those three items.

5139. But it is his own option if he takes that risk?—Clearly.

5140. So that there is no necessity for any speculative element if the merchant chooses to fix up the whole transaction at the time?—In effect I think he would do no business if he took that view, and my reason for speaking particularly of the exchange is that, in connexion with the produce, there are certain things which are known to you—in connection with freights there are certain things which are known to you—but the eccentricities of exchange no one can safely forecast.

5141. But, of course, there is no difficulty in fixing exchange?—There is no difficulty in fixing exchange at a rate.

5142. Suppose a cotton-spinner in Lancashire is selling goods in Calcutta, the same three elements enter into the transaction. There is the price in Manchester, the selling price in Calcutta, the freight, and the exchange?—Yes.

5143. Is there any difficulty in fixing up all these four elements in the same way as may be done in the case of a shipment from the other side?—I do not think there is.

5144. There is another element there: you have to fix exchange for two or three months forward; you do not recover your rupees for, perhaps, two or three months, but you have no difficulty, have you, in fixing exchange?—Not from Calcutta; I am not conversant with it the other way.

(*Sir F. Mowatt.*) You have to pay for that.

(*Mr. Campbell.*) You may have to pay for that.

5145. Some questions were put to you as regards redundant currency; you have read the Government despatch, no doubt?—Yes.

5146. Do you see the distinction they make there as regards redundant currency—that a currency may be redundant if exchange goes to 1*s.* 4*d.*, but may not be redundant if exchange remains at 1*s.* 2*d.*?—That is rather taking me out of my depth.

5147. Then Sir Charles Crosthwaite asked you whether a low exchange did not immediately affect the sterling price; but I put it to you whether, in the first instance at all events, it does not affect the rupee price on the other side; that is to say, that if a merchant or banker can buy a Secretary of State's draft at a low rate, the price in London remaining the same, he can afford, can he not, to pay a higher price for the produce that he buys?—He could, but I think it entirely turns on the question of supply and demand. I think in practice that is so.

5148. A low exchange, other things being equal, means a higher rupee price?—I suppose it might.

5149. (*Chairman.*) Did you tell us that a low rate of exchange does or does not affect the sterling price? Supposing you yourself are buying jute, or rice, or anything else from India, would the price be affected by the rate of exchange?—I think if there is a fall in exchange there is an immediate reason for putting down the sterling price here, and if the position of the article is such that they feel warranted in putting up the rupee price there, then we come back to the original sterling price.

5150. (*Mr. Campbell.*) Jute is a product peculiar to India?—Yes.

5151. It is not produced in any other country is it?—Not to any appreciable extent.

5152. Then it is an export from India which is not affected by competition from the farther east?—That is so.

5153. So that in the case of jute there is no loss to India from any bonus given by a low price of silver to any other country?—It is not affected in that way.

5154. Then you were asked about Calcutta as against Dundee. Dundee takes, does it not, a very large portion of the raw jute exported from Calcutta to be manufactured?—Yes.

5155. As between Calcutta and Dundee does the rate of exchange make any difference as to the buying power of the two places. I will put it in this way: Leaving out charges, freight, and so forth, take exchange at 1*s.* 4*d.*; if jute is say 120 rupees a ton in Calcutta that would mean 8*l.* a ton here, would it not?—Yes.

5156. Practically 8*l.* per ton in Dundee and 120 rupees a ton in Calcutta is the same price?—Would you mind taking 150 rupees which is 10*l.*

5157. Very well, they will be the same?—Yes.

5158. Then if exchange went to 2*s.* it would be 150 rupees and 15*l.*?—Yes, it would certainly.

5159. Then how is a saving effected in Dundee by a different price of the raw product?—There is no saving in the matter of the raw product, but there is a difference in the case of the manufactured article.

5160. But take, to begin with, the raw product. If exchange is 2*s.*, 150 rupees in Calcutta will mean 15*l.* in Dundee. If exchange is 1*s.* 4*d.*, 150 rupees in Calcutta will mean 10*l.* in Dundee?—Yes, but you cannot leave out——

5161. (*Chairman.*) First of all just give us your answer with regard to raw material. Mr. Campbell wants to know how the exchange affects that?—I think the jute put on board in Calcutta, is the same cost to both people.

5162. Now, do you want to give any explanation on your view with reference to the effect of that on the manufactured article in Dundee?—The point is that in the case of manufactured goods Dundee can probably compete with Calcutta better at a high than a low exchange, for the reason that wages take a long time to move in India, and at a low exchange rupees go further. Except in the case of expert workers, Indian wages have not materially advanced, and Calcutta, at a low exchange, must have an advantage till the inevitable adjustment takes place.

5163. (*Mr. Campbell.*) Is not freight a much more important factor than the question of exchange between Dundee and Calcutta. For instance, Calcutta has to pay no freight; it gets the jute and puts it into its mills on the spot. Dundee has to pay freight from Calcutta to Dundee before the jute gets into its mills at all?—Yes.

5164. Is not that a much more important factor than exchange?—No, I do not think it is, necessarily there is the question of wages and other charges, and in the case of exported manufactured goods, the Indian manufacturer has to pay freight to the port he ships his goods to. The freight on the manufactured article is less than on the raw product, but it is a charge which Calcutta has to pay equally with Dundee, except on goods sold in India.

5165. (*Chairman.*) Would not the low rate of exchange be to the advantage of the Calcutta manufacturer?—Very much.

5166. And therefore to the disadvantage of Dundee?—Yes.

5167. (*Mr. Campbell.*) Then you said Dundee would be better off with the exchange at 2*s.* Does that mean that the disadvantage to Dundee in the way of freight and wages would form a smaller proportion on an original cost of 2*s.*, than on an original cost of 1*s.* 4*d.*?—Yes, I think so.

5168. That is what you mean, is it?——

5169. (*Mr. Le Marchant.*) When you were speaking of the various conditions to be settled in a transaction, I think you mentioned the purchase price,

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and the freight, and the exchange, as the three conditions. The sale price also comes into the transaction, does it not?—Yes.

5170. So that really there are four conditions that have to be fixed at some time or other?—Yes.

5171. Is it common in trade to have some one condition, at least, unfixed for the moment?—I think that in many cases that is so.

5172. In fact it would not be very easy always to fix all four simultaneously, with a good margin for profit, owing to competition?—I should think in the past that is so.

5173. Would you say that sometimes sales are made in advance so as to fix that condition first, leaving the others to follow. There is no particular order in which they are fixed?—No.

5174. Do you consider that so long as exchange is a very variable condition, the fact of its being so variable does produce a difficulty?—Yes, that is what I argue.

5175. You were saying just now that taking the view of a capitalist having money in a jute mill as contrasted with the view of the manager of a juts mill, an owner of shares might prefer to have a stable rate maintained when the manager would prefer to have a falling rate. On what do you found that view of the shareholder?—My view is that the shareholder's capital would be safer, while possibly his return would be a little less than it would be if exchange were to fall.

5176. But looking at the less price that he might realise one day or other on the return of his capital, he might consider that the future exchange was more important than deriving a temporary gain?—That is what I think might be the view. Of course I further think that the result of fixity of exchange and convertibility of the rupee would be to turn a good many of the 10 per cent. Indian investments into 5 per cent. investments.

5177. Would that come from capital flowing out there?—Certainly that is the view I should take if I had money in a jute mill.

5178. That might in various ways be of advantage to the country, but not to particular holders of shares at this moment?—In the long run I think it would be an advantage also to the holders of shares.

5179. Of those particular shares?—Of any shares, I think.

5180. Would you explain in what way you think that would be so?—For instance, in the tea industry, which is one that I do not know very much about, I understand that a 10 per cent. dividend on an ordinary share is looked upon as being about what an investor ought to get in view of the risk of exchange and other things. If that industry is on a sound basis, I think the result of a convertible rupee would be to add very largely to the capital value. If they were earning 10 per cent. it would reduce the investment to a 5 per cent. investment.

5181. Because, you say, of the certainty of eventual realization—the safety of the capital?—Well, would not that be more than compensated?

5182. I should like your view about it?—I think they would. Of course it is only an opinion.

The witness withdrew.

Hon. Sir W. Hely-Hutchinson, G.C.M.G.

The Hon. Sir Walter Hely-Hutchinson, G.C.M.G., called and examined.

5183. (*Chairman.*) You are Governor of Natal?—Yes.

5184. How long have you been in the Civil Service?—24 years.

5185. Will you just tell the Committee what parts of the world you have been in?—Fiji, Australia, Malta, the West Indies, and in South Africa.

5186. You have had a great deal of experience in various currencies in various parts of the Empire?—Perhaps it is too much to say that. I have always taken a great interest in the question of currency. We had particularly in Malta a very serious currency question at one time about the demonetisation of the Sicilian dollar, and there have been questions of currency in the West Indies. I was asked for information about them, and made Reports to the Colonial Office on the subject.

5187. Perhaps you will tell us shortly what you regard Mr. Lindsay's scheme of establishing a gold standard for India to be. Just tell us first what it is as it presents itself to your mind?—It is a scheme for establishing a gold standard with a gold reserve in London, but I did not understand that Mr. Lindsay proposed to do absolutely without a gold currency. He proposes also that there should be a reserve—that a certain amount of money should be borrowed, and then more money borrowed, if necessary, for the reserve. Mr. Lindsay tells me that it was always his intention to propose an absolute guarantee.

5188. Of the British Government or the Indian Government?—I propose a guarantee of the British Government, because I think it is the only guarantee that will suffice to secure a gold reserve.

5189. Mr. Lindsay's scheme originally was a guarantee of the Indian Government?—I did not even know that he proposed a guarantee at all. All he proposed originally was a reserve of 5,000,000*l.* of gold. Then he proposed 10,000,000*l.* or else 5,000,000*l.* backed by an import duty on silver, and that there should be further powers of borrowing; but as I understood the scheme there was no definite statement that under all circumstances the gold reserve was to stand.

5190. (*Sir J. Muir.*) I understand he proposed that the Government of India should give the guarantee under his scheme?—Of course there was no definite statement that no matter what demands were made on the reserve the Government of India would guarantee it.

5191. (*Chairman.*) I agree with Sir John Muir; I understood Mr. Lindsay's proposal to be a guarantee of the Indian Government, and you say now that that is his scheme?—Yes, if you look at it in that way. The points in which my scheme differs from Mr. Lindsay's are two; first, that there should be an absolute guarantee of the gold reserve by the British Government, and that no maximum should be named. Secondly, that there should be a limitation of legal tender in India that gold should not be received, even in payment of taxation.

5192. Just modify it now as you consider it to be. What have you to say about it?—The great danger appears to be that the reserve should be attacked by gold speculators. They might combine in an attempt to break it down by calling in rupees in hope that the Government would be compelled to abandon its position and the rupee would fall.

5193. You mean that if sterling drafts could be converted into rupees at 1*s.* 3¾*d.*, and if the sovereign were legal tender it might lead to the transfer of a considerable amount of gold to the currency?—Yes, the reason I want to propose that the sovereign should not be legal tender is that I want to keep gold out of India as much as possible.

5194. Will you tell the Committee why you want that?—Provided that rupees can always be turned into gold drafts at the fixed rate for the purpose of settling external balances, and the automatic expansion and contraction of the rupee currency can be provided for, there seems no reason why the sovereign should be introduced into India as a current coin, and it is submitted that on the balance of advantages and disadvantages it is better that it should be excluded from the currency. For the great mass of the population a gold currency would be useless. If the sovereign were legal tender some gold would find its

way into the Indian currency, some people think a good deal. This would enlarge, and it is submitted unnecessarily enlarge, the currency use of gold and correspondingly contract the currency use of silver. The former would bring a permanent supply of sovereigns and half-sovereigns within easy reach.

5195. In other words, what you suggest is that the fixing of a rate should be confined exclusively to exchange purposes?—Exclusively.

5196. What Sir John Lubbock happily, I think, called an exchange standard?—Yes, no doubt that would be the name for it.

5197. And you would confine the use of gold entirely to the balance of transactions between England and India?—Entirely.

5198. Now where does Mr Lindsay's proposal differ from Sir James Westland's on that point?—I understand Sir James Westland's proposal to be that gold should be a legal tender in India altogether. Mr. Lindsay did not propose to interfere as far as I understand with the present arrangement that gold is receivable in payment of taxes, which practically makes it a legal tender.

5199. Can you give any precedent for a currency being received in payment of taxes and not receivable for any other purpose?—No, I cannot, but Mr. Lindsay informed me yesterday that gold was not a legal tender in India.

(*Sir F. Mowatt.*) It is a legal tender for the purpose of paying taxes.

(*Sir D. Barbour.*) It is not a legal tender, but the Government will take it.

(*Witness.*) The Government will receive it in payment of taxes under notification No. 2263 of June 1893.

5200. (*Chairman.*) That is purely a part of what may be called the present transition policy. The Government under their notifications No. 2262–2263 of June 1893 will receive gold at the equivalent value of rupees at 1*s.* 4*d.*?—In payment of taxes.

5201. If you take gold they will give you rupees?—No, under the second notification of 1893 it is simply that they will receive gold in payment of taxes.

5202. (*Sir D. Barbour.*) They receive it in payment of Government dues, but they will not force you to take it?—It is not a legal tender no doubt, but it is legal tender to the extent that if gold is offered in payment of taxes they will not refuse to take it.

5203. (*Chairman.*) It practically comes to the same thing, because they will take rupees at the 1*s.* 4*d.* rate?—Yes. Then to continue my statement on this particular point, the fact that rupees only would be legal tender would act as an additional check on any attempt to deplete the London gold reserve by presenting at the Indian Gold Standard Office rupees which are really required for currency purposes. If gold were a legal tender, sovereigns could take the place of the rupees so withdrawn; with gold not a legal tender, except at the Indian Gold Standard Offices, any rupees thus arbitrarily and speculatively withdrawn from the currency should tend to flow back into the currency from the Gold Standard Office.

5204. Suppose I am a speculator in India and I have a large amount of silver which I want to turn into gold and I buy drafts on London at this rate, and those are cashed in London in gold, what is to prevent my exporting that in bullion to India?—There is nothing to prevent you exporting it, but the thing is you will have less use for it when it gets to India.

5205. Supposing I want to hoard it, will not the effect of the operation be that I have turned my silver rupees in India into gold bullion which I can hoard?—Certainly.

5206. And of course I can export if I wish?—All I can say is that if gold is not legal tender there will be less temptation to do that because there will be less use for the gold.

5207. There would be the danger but less probability of the danger being incurred?—When you contract the currency, directly there is a demand for trade purposes there is a tendency towards expansion, a tendency towards gold coming in to fill up that demand.

5208. Your argument being that although rupees might be turned into gold that would limit the number of rupees in circulation, because gold would have to be taken in exchange for rupees?—My argument is——

5209. I want to see what the effect will be first, and we will have the argument afterwards. Suppose that a bank or anybody else in India has a certain amount of silver; they buy a draft on London, which they pay for in India with silver. That is convertible into gold in London; so many rupees are taken out of circulation in order to obtain that gold?—Certainly.

5210. And that restricts the currency?—That contracts the currency to that extent.

5211. The gold not being in circulation you have reduced the currency?—Yes, and that tends to strengthen the reserve. That is all I have to say on that particular point. Then it is proposed that in the event of exchange tending to rise above the gold point new rupees are to be coined "at the discretion of the Government." Under the conditions of the modified scheme the Gold Standard Office would discharge with reference to the rupee currency functions analogous to those discharged by the issue department of the Bank of England with reference to the British paper currency. Rupees will, in effect, become promises to pay 1*s.* 3$\frac{3}{4}$*d.* in gold in London at the Gold Standard Office.

5212. They would be a token currency?—They would become promises to pay.

5213. That is one way of putting it. They would become promises to pay, but those promises to pay would only be redeemed in London in gold?—Yes, in London. Perhaps you will allow me to proceed a little further. The Indian Gold Standard Office would have a branch or branches in India where the rupees would be presented for payment, and from which rupees would be issued on deposit of gold either in England or in India. You must look on the Gold Standards Office as one, whether in London or India—branches of each other. You present gold in India or London and immediately get rupees in the same way as if you deposit gold in the issue department of the Bank of England you get notes.

5214. (*Sir F. Mowatt.*) Do you mean that any person taking to one of those branch offices 15 rupees could buy a sovereign?—No, there is a minimum limit and the sovereigns will be obtainable in London only.

5215. What is that limit?—In Mr. Lindsay's scheme it is 1,000*l.* or 15,000 rupees, but that is a matter for consideration.

5216. But that limit would obtain in the branch Gold Standard Offices in India?—Certainly. I do not mean to enable anybody to take 15 rupees and get a sovereign. The Government would have no power, *per se*, to withdraw or issue a single rupee. The amount withdrawn, the amount issued, would depend entirely upon the public demand. Payment of rupees into the Gold Standard Office against gold drafts on London would have the same effect, so far as the rupee currency is concerned, as payment of notes into the issue department of the Bank of England against gold for export would have on the British paper currency; it would contract the currency. Issue of rupees against gold paid into the Gold Standard Office, whether in London or in India, would have the same effect on the rupee currency as an additional issue of notes against additional deposits of gold in the issue department would have on the British paper currency; it would expand the currency. And as, *ex hypothesi*, rupee currency would be the only currency in India, the contraction and expansion of the whole Indian currency would be automatic. That is a point on which very great stress has been laid.

5217. (*Mr. Hambro.*) You would give rupees against gold, and gold against rupees?—Yes.

5218. In India?—No, in London.

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5219. Not in India?—Certainly not in India—in London. You bring the rupees to the Gold Standard Office in India and you get a draft upon London. The great object is not to move gold from London. The Indian mint would stand in the same relation to the Indian community as the note manufactory of the Bank of England stands towards the British community—a manufactory of promises to pay which can only be issued, in future, against deposits of gold.

5220. (*Chairman.*) But is not there this difference; that the Bank of England has always bullion, or the equivalent of bullion, say, for the Government debt against its notes?—I am coming to that.

5221. (*Mr. Hambro.*) Would it not be half of that. The bank gives you notes for gold, but it gives you gold for notes. That would be only half?—Perhaps I might be allowed to say that to-day Calcutta is practically nearer to London for exchange purposes than Dublin was at the beginning of the century because of the telegraphic transfers. I want you to consider the Gold Standard Offices as one office.

5222. (*Chairman.*) I want to get at the real kernel of the thing, you know very well that the Bank of England issues its notes against, so to speak, two supports behind it. It issues its notes against actual bullion, or it issues its notes against the Government debt and securities.?—Yes.

5223. Does the Bank normally issue notes against securities?—The original issue of 14 millions is against securities. I take that expression "loans and securities" from Mr. John Stuart Mill's book.

5224. But they are Government loans and securities?—Yes.

5225. From the Banking Department the Government has large advances; the Bank does not issue a single bank note against that; but the Government owe the Bank of England 11 millions, and in addition to that there are the lapsed issues of the provincial banks. When you have passed those two limits the Bank of England cannot issue a 5*l.* note unless there is 5*l.* in their vaults against it?—That is so.

5226. Then do you propose that your issue of rupees is to be analogous to the issue as against bullion, or to the issue as against Government debt?—If you will allow me to go a little further it will answer your question. The Indian mint would stand in the same relation to the Indian community as the note manufactory of the Bank of England stands towards the British community, a manufactory of promises to pay which can only be issued, in future, against deposits of gold. The existing issue of rupees would be on a basis analogous to that of the fixed portion of the note issue which is based on loans and securities.

5227. That is exactly what you are putting?—Exactly.

5228. Do you mean taking the existing silver currency in India at 120 crores, the Government of India would be entitled to treat that as equivalent to bullion—equivalent to a gold deposit at the Bank?—It is the foundation of Mr. Lindsay's scheme.

5229. That would be so?—Yes.

5230. Then you would say any further issue beyond that must be absolutely against gold?—Absolutely against gold. The only question is whether the Indian Government or the British Government can take the risk of backing the present active currency to the extent of 120 crores.

5231. Do you think that your scheme would require that amount of backing, I mean in its practical bearings?—I respectfully submit that if you get the backing of the British Government, the risk is practically reduced to a minimum because nobody will attack it.

5232. You mean the guarantee would be so absolutely unassailable that it would never be attacked?—That is it. It would be so overwhelming that no association of speculators would dare to attack it; they would not think of it for a moment, they would have to lock up an amount of capital greater than the British Government could afford to guarantee, that is what it would amount to. Then, future issues of rupees could only be made on a gold basis, and as fresh issues of notes can only be made through the issue department, so it is proposed in the modified scheme that fresh issues of rupees may only be made through the Gold Standard Office. That is practically all I have to say.

5233. What you mean is that as a fresh issue of notes by the Bank of England can only be made through the issue department of the Bank of England against bullion in the cellars, so fresh issues of rupees could only be made through the Gold Standard Department, which on behalf of the Government of India would be holding gold against it?—Yes, it is only to enable the public to understand clearly that no fresh issue of rupees will be made except as against gold.

5234. Gold is the ultimate measure of value?—Gold is the ultimate measure of value.

5235. And you think the effect of that would be that there would be no longer hesitation in taking rupee drafts, people knowing that they could always obtain gold for them?—That is the effect of the scheme to fix a rupee at that price.

5236. (*Mr. Campbell.*) You say, "the Gold Standard Office would discharge with reference to the rupee currency functions analogous to those discharged by the issue department of the Bank of England with reference to the British paper currency?—Yes.

5237. That is, if you pay 100*l.* in gold to the Bank of England they give you a 100*l.* note, and when you present that 100*l.* note again they will give you gold for it?—Yes.

5238. That is simple enough, but your scheme goes further than that, and says that if you present 100*l.* to the Gold Standard Office they will give you so many rupees for it; and that if you present so many rupees to the Indian Gold Standard Office they will give you so much gold for it?—If you present so many rupees to the Gold Standard Office they will give you a draft on London.

5239. Which is, eventually, so much gold?—Exactly. Of course there is a minimum limit; that is a detail.

5240. Is not that introducing a most important complication. Is the analogy the same as for the Bank of England to take 100*l.* for a gold note and give you back that 100*l.* on presentation of the note. That is a very simple matter, but is not it a very complicated responsibility, anybody undertaking to convert silver into gold or gold into silver at a fixed rate?—The paper is worth absolutely nothing.

5241. Still, it represents 100*l.* of gold as being given for it, and it can command that 100*l.* in gold again; but this scheme says that they will take 100*l.* of gold from you and undertake to give you so many rupees for it, or they will take so many rupees from you and undertake to give you so much gold for it. A gold note against gold is a different thing from turning rupees into gold or gold into rupees?—I admit that that is a distinction, but it is scarcely a difference. The Bank of England note depends for its value upon the legislation of the British Parliament, which has guaranteed practically 14 millions of these notes upon Government loans, and provided that those shall be exchangeable against gold. In the same way the rupees will be given this fictitious value—I admit at once that it is a fictitious value—by the guarantee of the Government to the extent of 120 crores of rupees, and the provision that no further rupees are to be issued except against gold.

5242. But is not that undertaking a much more serious responsibility to convert rupees into gold than merely to pay a gold note in gold?—I think it is only more serious because the amount of undefended currency in India is so much greater than it is in England. It is 120 crores, I think.

5243. (*Chairman.*) Do I understand you to say that you consider that the Government guarantees 14 millions of the Bank's circulation?—I do not say

that it guarantees it, but the Bank was authorised to issue that amount of circulation against 14 millions of Government loans and securities.

5244. I think for the sake of the argument it would make it clearer if you assume that something has happened, which I hope will happen at a not very far distant date, viz., that that debt is paid off. Assuming that that debt is, as I think it ought to be, paid off by the Government, and that no relationship exists at all between the Government and the Bank of England, will you then answer the question on that basis; assuming that the Government has paid them in cash, or the equivalent of cash, and that the transaction is at an end as between the Government and the Bank?—In that case the difference between the two arrangements would be that in the case of the Bank of England notes they would be founded entirely on gold, and in the case of rupees they would be founded to the extent of 120 millions, which would be gradually reduced year by year on the guarantee of the Government.

5245. (*Mr. Campbell.*) You are aware no doubt that India has a large amount of sterling money to remit every year in payment of home charges something about 17½ millions?—Yes.

5246. It is on the excess of exports over imports that India must depend to pay that debt?—Yes.

5247. Is it your belief that the question of exchange has anything to do with the lessening or increasing the balance of trade in India's favour; that at a high exchange she could not command the same balance of trade as she could at a low exchange?—I should say that that exchange would rather be the result than the cause of any balance of trade. If there is an unfavourable balance of trade the exchange would fall; if there is a favourable balance it would rise.

5248. Then the two act on each other. If you get a larger balance of trade at 1*s.* 2*d.* than at 1*s.* 4*d.*, you would argue that 1*s.* 4*d.* would have an unfavourable effect on the trade balance?—I do not admit that. I say that the exchange would no doubt rise and fall with the balance of trade, but I am not prepared to say that an artificial altering of the exchange would have any effect on the balance of trade.

5249. Suppose India was not able to draw that full 17½ millions, with the exchange at 1*s.* 4*d.*, to enable her to do so she might be obliged to let the exchange drop to 1*s.* 2*d.*?—I do not think that would happen if you had a guarantee.

5250. I am speaking of the balance of trade as bearing on India's ability to pay her sterling debt. I will put it in this way. The larger the amount that the council have to sell the lower the rate they will get. Is not that so. If they had only to sell 10 millions they might get 1*s.* 4*d.*, whereas if they had to sell 20 millions they might put up with 1*s.* 2*d.*?—You are dealing with a proposal to put matters in an artificial situation. Provided you had a scheme such as Mr. Lindsay's I am inclined to doubt whether the exchange would fall even with an increased demand for remittances from the Government of India.

5251. It might not fall so long as the Indian Standard Office was issuing its gold drafts?—Directly the Indian Standard Office closes and you break the reserve, down goes the rupee. That is admitted from the first.

5252. Suppose exchange showed a tendency to fall below your fixed rate, say of 1*s.* 4*d.*, would you contemplate allowing the Government of India to make its remittances through the Standard Office?—I do not think it matters whether the Government makes its remittances through the Gold Standard Office or not. It is merely part of the total quantity of remittances made during the year.

5253. But if in order to get the full amount of the remittances the Indian Government availed itself of the existence of the Indian Gold Standard Office that would soon deplete the reserve fund?—It might for the time, no doubt.

5254. And if from an adverse balance of exchange or a tendency of exchange to fall the gold standard reserve were exhausted they would have to begin borrowing again?—Certainly, but there would be the usual correctives at work. It seems to me you are going on the assumption that India is a country that cannot afford to keep the rupee up to 1*s.* 4*d.*

5255. Do you think that the guarantee of the Government would inspire sufficient confidence to prevent anything in the shape of what you might call a run on the fund?—Yes. You will please to understand that I have no practical knowledge of India. All I know is from what I have been told in conversations with people who know India. I am told that the great danger is an attack on the reserve by bullion speculators. With reference to the question you have asked me, I should say that the guarantee of the British Government of the reserve would render such an attack altogether impossible. Nobody would attempt it.

5256. Is it within your knowledge or have you heard that there are large hoards of rupees held in India by such people as the native rajahs?—Yes, I have heard that.

5257. Suppose these holders of rupees thought it expedient or in their interest to turn their rupees into gold. There would be nothing to prevent their going to the Standard Office and taking drafts?—Nothing whatever.

5258. And if that were done to any large extent it would impose a very heavy burden on the Government?—Extremely heavy, but not nearly so heavy as the burden of going back to a silver standard which seems to be the only alternative.

5259. Contracting the currency would tend to make money very dear, would it not?—The currency would only contract according to the necessities of India under this scheme.

5260. But if there was any desire to turn the rupees into gold for remtttance home, that would have an effect. Would not that have a prejudicial effect on exchange?—Yes.

5261. I mean an effect on trade?—Yes; but trade, requiring more currency, the silver would tend to flow out of the Gold Standard Office if there were an over contraction; it would remedy itself.

5262. Does that imply, then, that if there were a tightness of money it would cause a counter flow of rupees back to India?—I would not go so far as that, but if people find that they are short of currency all they have to do is to go to the Gold Standard Office and get more.

5263. (*Mr. Hambro.*) The chief difference, I think, between your scheme and the one we have heard about is that you would put the English Government behind the Indian Government?—That is the chief difference.

5264. Indian 3½ per cents. are 92 and English 2½ per cents. are at 102. Parliament would, no doubt, have that in mind in considering this proposed guarantee?—Quite so.

5265. Do you think that Parliament would guarantee an unknown quantity?—That is not for me to say; that is for wiser heads than mine.

5266. The basis of Mr. Lindsay's scheme is, if I might say so, a famine of currency?—I do not think so. I think that is the basis of the Indian Government's scheme. The Indian Government propose to withdraw 10 crores in order to contract the currency and suck in gold.

5267. Where the rate is already 12 and 13 per cent.?—Yes, that is the Indian Government's scheme and not Mr. Lindsay's scheme.

5268. Mr. Lindsay's basis is that there could not be a run on the bullion office in India, because currency could not become more contracted than it is now, the amount of currency in India being necessary for the trade thereof?—That is a point about which Mr. Lindsay can speak and I cannot.

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5269. The only reason why too much currency might not be presented in India for exchange on London would be that there was not enough currency to be presented?—Quite so; that you want more currency in India.

5270. I think you have said that the balance of trade has to be satisfied somehow or other?—Certainly.

5271. Should, on account of wars or famine, or anything unforeseen, the balance of trade be against India, that balance I suppose would have to be paid through the Indian Gold Standard Office?—Yes.

5272. And in that way gold in London would be used to satisfy the balance of trade?—The gold would not go to India, because it would not be a legal tender.

5273. But the balance of trade in London would be satisfied by, instead of remitting gold from India, taking money to the gold office and remitting drafts?—Yes; rupees would pour into the gold office and gold would come out at the London end.

5274. Might not this be a large amount in any one year?—I admit that.

5275. And during this operation would you limit the price at which the Council could draw?—I should leave it entirely automatic. The Council would draw at the best price it could. And if it could not get a better price than the Gold Standard Office, it would have to resort to the Gold Standard Office.

5276. Then you would limit Council drawings to 1*s.* 3$\frac{3}{4}$*d.*?—That is the lowest rate to which exchange could fall under Mr. Lindsay's scheme.

5277. Supposing the Indian Council wished to sell more bills in London than there were buyers at 1*s.* 3$\frac{3}{4}$*d.*, would you limit them to that price?—Certainly. The essence of the scheme is that the rupee is not to fall below 1*s.* 3$\frac{3}{4}$*d.* in India, and in order to maintain that, if you cannot get those rupees in the open market at 1*s.* 3$\frac{3}{4}$*d.* you must resort to the Standard Office.

5278. That might be again a very large drawing on the Gold Standard Office?—No doubt, I admit the risk. My scheme is Mr. Lindsay's scheme with some very small alterations.

5279. (*Mr. Le Marchant.*) You view the rupee as practically metallic notes?—That is the idea.

5280. Which would be convertible in London into sterling?—That is practically the idea.

5281. Would you view every conversion as necessarily into gold? Would it not be, in the first instance, into a sterling draft. I am drawing a distinction between actual gold and a draft payable in sterling, which in the majority of cases might operate merely as a remittance to London?—Yes.

5282. And which, if I understand your plan, might follow exactly the same course that any draft on a London bank follows?—All you would get at the Gold Standard Office in India would be a draft on London, and you cannot tell what course that draft might take.

5283. I am asking whether it is necessarily drawn out in gold in London?—I do not know enough about London banking to say. Of course, paper is sometimes kept for a long time without being realised, and there are questions of interest.

5284. Or it might be possibly presented through the clearing house?—Yes; the person who got it could do what he liked with it. I presume it would be presented at the London Gold Standard Office.

5285. On what considerations would you found any estimate of the possible demand on this Gold Standard Office fund in London?—There have been a great many calculations made. The maximum calculation that I have seen is 215 crores. That means if every rupee in India were to be poured into the Gold Standard Office. Of course that is an enormous sum—141 millions sterling.

5286. For practical purposes what considerations would you found an estimate upon?—I should not like to express an opinion upon that point. There are men who know much better than I do, and my opinion would not be worth much. I should say about 10 crores, but really my opinion on the subject is worth nothing.

5287. Do you consider that such a demand might arise either from currency conditions such as a redundancy, for instance, through rupees coming out of hoards, and increasing the volume of the currency or from adverse trade conditions. The two are somewhat different in their nature, are they not?—The amount of the hoards in India is not known; it is supposed to be about 50 crores. Mr. Atkinson I see puts it at 50 crores. That would be the total amount that you might expect to be drawn on that account. As to adverse trade conditions, of course if India got into a bankrupt state, as has been well said, the adverse balance of trade might possibly exhaust the reserve.

5288. I think you were speaking of the influences that would tend to right exchange under such a scheme?—Yes.

5289. You spoke of the contraction that would arise from the payment of rupees into the Standard Office in India. Do you consider that that would in the first case lead to a higher discount rate?—The whole system would be so artificial that it is very hard to accurately forecast what would be the result; but I should say that if the currency unduly contracted, discount rates would rise; but that would depend on the Gold Standard Office expanding the currency, and running down the discount rate.

5290. But in the first instance the effect would be similar to a drain of gold from London to abroad?—I do not think that it would. I say it would tend to raise the discount rate in India, and gold would be paid to the London Gold Standard Office in order to secure rupees in India.

5291. As a drain from London does?—Yes, the discount rate in India, I believe, at this moment is very high, as they say that the currency is so contracted. That is the reason alleged for it. Well, if you have a Gold Standard Office which will always give you rupees for gold, and people are sure that they will get back practically the same rate of gold when they bring their rupees back, the thing would right itself at once; the currency would expand

5292. You would have a corrective of exchange in that direction?—Yes, it is there ready to your hand; of course it all depends on the confidence of the people in the future of the rupee.

5293. So far as remittances would be provided by drafts on the London Sterling Office, would that have the effect of cheapening export bills. Do you think that by providing an alternative mode of remittance you might thereby supply a certain number of remitters with the remittances they wanted, so that bills against exports would then tend to come into the market at rates that would induce business?—I think if you provide that, a man shall always get drafts for rupees at 1*s.* 3$\frac{3}{4}$*d.* it will practically make the sellers of bills against exports less inclined to hold for low exchange rate.

5294. They would be at a relatively easier rate?—An easier, and above all a steadier rate.

5295. In fact currency would be more readily provided for India at the time the trade required it and equally remittances on London would be more readily provided?—That is the object of the whole scheme. That there should be no difficulty whatever about the expansion and contraction of the currency.

5296. And it would follow the same order of things that prevails at present between two gold-using countries?—Yes, it would do away with what Lord Farrer has called the break of gauge between a gold and silver-using country. The measure of value in India would be gold instead of silver, and you get rid of the nominal exchange.

5297. Do you think there would be any greater inducement under such a system to the owner of hoarded rupees to buy drafts on London in order to obtain gold than exists now when exchange is or has recently been about 1*s.* 4*d.*?—I should say that there would be a greater inducement because they would

know that the amount of exchange which they could get at the fixed rate would be unlimited.

5298. Do you think there would be a greater incentive to hoard gold under your system than there is at present?—I do not say a greater incentive; there would be, I think, if you were to make gold a legal tender in India.

5299. How would you provide a stock of rupees on the other side for fresh currency out of the sterling fund in London? Assuming that gold is paid in for additional currency in India how would you provide those rupees?—The Gold Standard Office must provide rupees. My proposal is that the Gold Standard Office should transfer gold to the Indian balance in London, and that the Indian Government should buy the rupees and coin the bullion, and transfer them to the Indian Gold Standard Offices.

5300. If later on the tide of remittances turns the other way and those rupees come back on the Government against a demand for sterling drafts, do you contemplate that they will have to be melted and sold to provide the means of paying?—They might have to be. You are supposing a very large fluctuation, are you not.

5301. Might it not be possible, if you had a large expansion of currency at one time from such facilities as you would give, that that in itself might render a reaction afterwards more probable?—Yes, no doubt. The further the pendulum swung one way the more it would be liable to swing the other.

5302. So that just so far as you were liable to be called upon for coined rupees you would have to provide for the prospect of taking them back?—Yes, deducting always the wear and tear of the silver.

5303. (*Mr. Holland.*) Might I ask you if you approve of the proposals of the Indian Government?—Well, I wish to speak with all humility, but they do not recommend themselves to me.

5304. You prefer Mr. Lindsay's proposals?—I prefer Mr. Lindsay's proposals.

5305. And you prefer your modified Lindsay to Mr. Lindsay himself?—I have suggested some modifications—slight modifications; it is practically Mr. Lindsay's scheme.

5306. Are you aware that practically Mr. Lindsay himself has admitted that the weak point in his scheme is the indefiniteness of the liability which will be incurred under it?—I am not aware that he has admitted that, but I am ready to admit it.

5307. You do not avoid that?—No, I admit that.

5308. You say under your scheme you would not fix a maximum?—I do not fix a maximum.

5309. Nor does Mr. Lindsay fix a maximum?—He did originally, as I understood; but he tells me he intended the guarantee to be absolute.

5310. You would rely on the guarantee of the Imperial Government to repel attack; but I understand that Mr. Lindsay was relying only on the guarantee of the Indian Government?—Only on the guarantee of the Indian Government.

5311. If Mr. Lindsay's scheme were backed by the guarantee of the Imperial Government, would that remove any of your objections to his scheme?—Well, it is the same thing, the guarantee of the Imperial Government.

5312. You admit that convertibility is essential?—Yes; I think we ought to approach as near a natural situation as possible.

5313. But you do not contemplate absolute convertibility in both directions, in both places: that is, both in India and in London. You would have, I understand, convertibility of gold into silver, both in India and England, to an unlimited extent?—Yes.

5314. But you would not have convertibility of silver into gold except in London?—Just so; the great object being not to do anything to deplete the general balance of gold in London.

5315. I understand you to say in your view there would be no strong inducement to prefer gold to silver for hoarding purposes?—Not if gold was a legal tender, but that is a second-hand opinion derived from conversation with people who know India. They say that if the Indian hoarder got to know that a gold coin would pass, then he would save in course of time five or six rupees and buy half a sovereign because he would rather have that than six rupees, because half a sovereign would be more easily hidden.

5316. But you would admit that the man hoarding gold would have an advantage on the score of intrinsic value over the man who hoarded rupees?—That is another point. There would be that artificial value.

5317. You intimated your opinion, and, of course, it is obvious that the public should have absolute confidence in the rupee?—That is absolutely necessary.

5318. Do you think that if, instead of aiming at 1*s.* 4*d.*, a lower rate were aimed at, the public would be likely to have more confidence?—I do not know why they should. It would mean so many more rupees to be paid by the Government of India for their annual remittances.

5319. (*Sir A. Dent.*) Is it, in your opinion, an essential part of Mr. Lindsay's or any similar scheme that the amount should be limited to 1,000*l.* as a minimum?—I think the higher that limit is the better.

5320. The object of that is to keep out the small operator and the small speculator?—Quite so.

5321. But is it not extremely likely in a country like India that they will get together 10, 20, or 100 of them, and that that object would be defeated?—It would always act as a break, as it were.

5322. (*Sir C. Crosthwaite.*) You admit that there are conditions under which the Secretary of State might have to draw on the gold reserve fund in order to meet his liabilities?—Yes, I admit that.

5323. Are those conditions peculiar to Mr. Lindsay's scheme and yours?—I should say they were peculiar to any scheme which guaranteed the value of the rupee at a certain amount.

5324. If the Secretary of State drew on the gold reserve, would not that be the same as borrowing?—Practically.

5325. Is he not compelled now to borrow to meet his liabilities when he cannot sell sufficient bills?—I have been told so.

(*Sir F. Mowatt.*) Sufficient bills at a price which suits him.

5326. (*Sir C. Crosthwaite.*) Suppose he has not got the rupees in India. There are two cases. Suppose he stops selling because he cannot get his price, or he does not sell, because he has not got the rupees to sell. Under those circumstances he is obliged now to borrow?—Yes.

5327. So that if the net exports from India were not sufficient in any year to cover the liabilities the Secretary of State would be forced either to default or to borrow?—Certainly.

5328. That might occur under any scheme?—Of course, directly there was an adverse balance of trade.

5329. There is one point in which Mr. Lindsay differs from you that I think you have overlooked. Mr. Lindsay said that under his proposal the Secretary of State should continue to sell bills no matter what rate he got?—Yes.

5330. Whereas I think you said that he should not go below 1*s.* 3¾*d.*?—You at once knock down the price of the rupee.

5331. You are aware that you differ from him in that respect?—Yes.

5332. Will you tell me why you prefer to put the limit of 1*s.* 3¾*d.*?—Because the essence of the scheme is to fix the price of the rupee at about 1*s.* 4*d.* If the Secretary of State sells rupees below that, down goes the price of the rupee.

5333. Under your proposal the Secretary of State should refuse to sell below that rate?—He would practically have to borrow.

5334. He would be compelled then to borrow?—Yes.

5335. And if that went on for any time the gold reserve would be depleted?—No doubt.

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5336. But when the gold reserve was depleted then what would he do?—Borrow further until the thing righted itself.

5337. And if it did not right itself?—Well, you are in an artificial situation; but your alternative is to go back to a silver standard.

5338. If it comes to that extremity, but if those conditions occur under any system shall we be better off?—Not that I can see. You are supposing that India is going to become bankrupt.

5339. If we establish a gold currency should we be better off under that than we are at present?—Scarcely.

5340. The gold would all disappear, just as the gold reserve would disappear?—Certainly.

5341. About the hoards in case any importance may be attached to that point, I suppose a man is more likely to hoard a thing that will not deteriorate in value, than a thing that will deteriorate in value, is it not?—Naturally.

5342. Therefore if there is any tendency to hoard gold instead of rupees, I should think that tendency would be stronger when the rupee was deteriorated, than when the rupee was at a fixed value?—I should think so, certainly.

5343. Therefore under this scheme which fixes the value of the rupee in gold, there can be hardly any more inducement to hoard gold, than there is now?—No, I should say not.

5344. A man knows that the rupees that he hoards, are worth 1*s.* 4*d.* each and will always be worth 1*s.* 4*d.* each, so far as he has confidence in the scheme?—That is the point,—confidence.

5345. (*Sir D. Barbour.*) You spoke about telegraphic transfers. Is it your intention that telegraphic transfers should be issued under your scheme?—No, I merely mentioned that by the way.

5346. Because that would introduce another element of difficulty, having to meet the demand so much more quickly?—I only mentioned that, to show that they are so much closer than they were.

5347. You made a calculation as to the cost of your scheme under the most unfavourable circumstances, in comparison with the cost of opening the mints to silver?—Yes.

5348. That is the direct cost to Government?—The direct cost to Government.

5349. Do you think that that absolutely concludes the question?—Oh no, far from it.

5350. You admit that there are other considerations?—Oh yes.

5351. You have referred to the danger of speculators drawing rupees out of hoards and offering them for conversion into sovereigns, at 1*s.* 3¾*d.*, with the object of breaking down the gold reserve, and ultimately causing a great fall in the value of the rupee. Do you think, from your own knowledge, that that is likely to occur?—I should think it is not at all likely to occur. I am merely quoting what Mr. Atkinson says.

5352. Have you any other authority?—I have read various criticisms. My own impression is, but that is worth very little, that it is more or less of a bogey.

5353. You know that people in India do hoard?—Yes.

5354. And the man who hoards withdraws his money from all profitable employment; he puts it into a box or into the ground?—Yes.

5355. The rate of interest amongst the natives is rather high, 6, 7, 8, 10, and 12 per cent.?—Yes.

5356. So that the man who hoards, we will say for 10 years, has probably lost the chance of doubling his capital?—Yes.

5357. He is a man who is not very much influenced by considerations of profit, because he gives up all chance of making profit?—Yes.

5358. Now, to induce that man to take money out of hoard, and risk it in speculation, the speculation must promise to be a very profitable one?—Yes.

5359. Assuming that all these men combined, and that they exhausted the gold reserve, what profit would they make?—I should say they would make very little profit indeed.

5360. What is said is that they would then buy rupees very cheap with gold?—You mean the gold dealers; I thought you meant the hoarders.

5361. There might be speculators, but the idea was that the rupees would come ultimately out of the hoards?—The way they put the idea is that if they break the gold reserve the Government would return to a silver standard and down would go the rupee to 1*s.*

5362. Do you think that speculators, who are men of business, would speculate on a remote chance of that sort?—I say they will not, if you give them the guarantee of the British Government.

5363. Assuming that they are willing to speculate in that way, why can they not do it to-day. Anybody in India could go now and get a draft on London at 1*s.* 3¾*d.* and on that draft could get the gold?—That is quite true.

5364. That is to say to-day there is no reserve to-day, and any man could exchange his rupees for 1*s.* 3¾*d.* if he liked?—Yes.

5365. Does not that rather confirm your opinion that this combination to break down the gold reserve with a view to making rupees cheap is an imaginary danger?—It does seem so to me.

5366. (*Sir J. Muir.*) I suppose you hold by the old doctrine that those interested in the prosperity of a country should seek to make the exports exceed the imports?—Yes, I think so.

5367. In Natal do your exports exceed imports?—I am afraid not, very much the other way.

5368. There are some of us here who are very much interested in India, and our idea is that we ought to do all in our power to increase the exports and reduce the imports so as to turn the balance of trade as much as possible in favour of India. All those who are interested in the soil—the growers of wheat, seeds, cotton, coffee, indigo, &c., are interested in a low rate of exchange?—Yes.

5369. Your reasoning has been very much on the basis of a 1*s.* 4*d.* rate?—Yes.

5370. But I suppose you are aware that there is a very wide difference of opinion in India on that subject?—Oh, yes; but I have not entered into that My efforts were directed to securing a 1*s.* 4*d.* rate, assuming that that is wanted.

5371. You would go on the basis of 1*s.* 4*d.*, or any other rate that might be fixed?—Yes.

5372. That is to say, if it is held that a 1*s.* 2*d.* rate would do, your scheme would still apply?—Equally; only your margins would be different.

5373. You are not tied to the 1*s.* 4*d.* rate?—Oh, no. It is an attempt to show that it is possible to have a gold standard without a gold currency, which is the one thing which Sir Robert Giffen said was impossible.

The witness withdrew.

Adjourned.

ELEVENTH DAY.

Monday, July 4th, 1898.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.
Mr. ROBERT CHALMERS, *Secretary*.

Sir EDGAR VINCENT, K.C.M.G., called and examined.

Sir E. Vincent, K.C.M.G.
4 July 1898.

5374. (*Chairman.*) What is your official position?—I have no official post now at all. I was financial adviser to the Egyptian Government from 1882 to 1889 and Governor of the Ottoman Bank from 1889 to 1897.

5375. We may assume that you are perfectly familiar with the currency systems both of Egypt and Turkey?—Perfectly.

5376. We will begin, if you please, with Egypt. What is the currency system in Egypt?—The currency in Egypt consists of a silver token currency, with a gold currency for all large transactions.

5377. Can you give us the figures?—The standard is the Egyptian pound, which is worth 1*l.* 0*s.* 6*d.*, but this coin exists only in small quantities.

5378. That is a gold coin?—Yes.

5379. Coined in Egypt?—It was coined in Egypt.

5380. Are they in circulation?—I should say that the coins in practical circulation are the sovereign and the French 20-franc piece.

5381. That is the English sovereign?—The English sovereign and the French 20-franc piece.

5382. In fact, you have three gold coins, the English sovereign, the French napoleon, and the Egyptian pound?—Yes, and the amount in circulation is in the order in which you have named the coins, that is to say, the principal portion of the circulation is the English sovereign and the French 20-franc piece. These two coins are legal tender at a fixed unvarying rate of so many piastres to the sovereign—97½ piastres to the English sovereign and $77\frac{6}{40}$ piastres to the napoleon.

5383. What is the value of the piastre in English currency?—The piastre would be the hundredth part of 1*l.* 0*s.* 6*d.* It is worth about 2½*d.*

5384. It is like a quarter franc?—Yes.

5385. What is the silver currency in Egypt?—The silver currency is a token currency coined by the Egyptian Government.

5386. In what coins?—The principal coin is a dollar of 20 piastres, or $\frac{1}{5}$th of an Egyptian pound.

5387. Practically like our five-shilling piece?—Yes, rather smaller.

5388. Can you tell us what the intrinsic value of that is?—The intrinsic value of the Egyptian silver coin is practically on the same basis as the English silver currency; that is to say, it is very much overvalued.

5389. (*Sir J. Muir.*) Can you give us the exact amount of the dollar?—I am afraid I have not got that in my memory. I can only say that it is practically on the same basis as the shilling in England. I should imagine that the intrinsic value would be about 50 per cent. of the circulating value. I should say that the Egyptian Government does not coin Egyptian pounds at all. They consider that it is an unnecessary expense to have a gold coinage, and they prefer that the gold which they require for the purposes of circulation should be brought in from abroad. They rely practically on France and England.

5390. (*Chairman.*) But you said that there was a gold coinage?—There was a gold coinage, but that has ceased for the last 50 years. The amount of that coinage in circulation and in hoarding is about 2,000,000*l.* sterling, the amount of sovereigns and napoleons being very much larger.

5391. Can you give us any idea of those?—I do not think I can give any very accurate figure. Ottomar Haupt gives the following figures:—Egyptian gold, 2,000,000*l.*, which is the figures I have just mentioned; foreign gold, that is sovereigns and napoleons, 25,000,000*l.*; but in that 25,000,000*l.* are included a considerable amount of gold coins now hoarded. I mean the practical effective circulation is certainly smaller than that. I do not think that anybody can say what the amount in active circulation is; it is most difficult.

5392. I presume there is an ebb and flow of gold currency according to the demands of trade?—Precisely. There is a regular seasonal ebb and flow; that is to say, every October and November a large amount of three or four millions of English sovereigns is imported; they are used during the busy season, and when the busy season is over, in April and May, about one-third or one-half of the amount imported flows out again. The remainder is absorbed in the country. That goes on regularly every season: there is that ebb and flow.

5393. (*Sir F. Mowatt.*) Each season leaves a deposit behind it?—Yes. Then with regard to the convertibility, the Egyptian Government does practically nothing except as regards silver. As regards the gold they do nothing at all; gold flows in naturally and flows out naturally, and all they do is they take gold in payment of taxes as a legal tender. Between private persons the sovereign is recognised as worth 97½ piastres, and the 20-franc piece as worth $77\frac{6}{40}$ piastres.

5394. (*Chairman.*) Then gold is practically an unlimited tender?—Practically an unlimited tender.

5395. And also the silver token currency?—The silver token currency is only tender up to 5*l.*; but the amount of silver token currency in circulation in Egypt is under 1½ millions.

5396. Who regulates the coinage of the token currency?—The Egyptian Government.

5397. On any principle?—Practically on the principle of maintenance at par. There is no legal

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obligation for them to take an unlimited quantity of silver at par, but practically, with only the small amount against them, they will always take any amount of silver; that is to say they maintain the value of silver token currency at the amount in circulation.

5398. Who is the authority who advises the Egyptian Government on that question?—Nominally the Minister of Finance, practically the financial adviser, who is the representative of the English Government in the Egyptian Ministry.

5399. Are there local banks?—There are certain local banks but no State banks. They are talking of having one; but at present there is none.

5400. Then what do you say as to the rate of interest and the rate of discount?—The rate of interest is heavier during the busy season than in the slack season. It is difficult to give an absolute figure, but I should say it fluctuated between nine and ten per cent in the busy season, and four and five per cent. in the slack season.

5401. That is the rate of discount?—The rate of discount.

5402. The rate of interest on permanent mortgages is high, is it not?—The rate of interest on permanent mortgages is high. I should put it at 7 per cent. It has a tendency to decrease. It certainly has decreased during the last 15 years but not to any very considerable extent.

5403. I suppose that depends more upon credit than currency?—I think the permanent rate does.

5404. Now, will you tell the Committee what are the points of similarity between the finances of Egypt and the finances of India?—I think the principal points of similarity are first of all the heavy annual indebtedness to foreign countries which exists both in Egypt and in India. I shall be able to give you the figures about the indebtedness of Egypt if they are of interest to the Committee. The second point is the fluctuating requirements of currency between one season and another; and, thirdly, the annual inflow and outflow of gold, which is similar to the condition which it is proposed to establish in India. Those are the three points.

5405. Now will you just explain to the Committee in detail those points of similarity?—The indebtedness of Egypt amounts annually to about 4½ millions sterling.

5406. You mean the interest which Egypt has to pay upon her loan, which is held outside Egypt?—Precisely.

5407. She has no other charges, has she?—That includes also the tribute which practically goes in the same way, because the tribute has been hypothecated for loans made to Turkey, so that it all amounts to the same thing. The figure of 4½ million pounds sterling is well under the mark.

5408. What percentage is that of the revenue of Egypt?—That amounts to about 45 per cent. of the total revenue.

5409. In connection with that, can you tell us how the balance of trade runs as regards exports and imports?—As regards the exports and imports you may say that the exports exceed the imports by about those four millions. The balance does not come quite square every year, but if you take the average of years it comes to about that.

5410. Practically Egypt pays her foreign indebtedness by the balance of her exports over her imports?—Precisely.

5411. Which India has to do too?—Yes.

5412. Now, will you go on and explain anything else you have to say upon this point?—I think there is really *nothing* else to say regarding the annual indebtedness, except that this proportion, so far as I know, is the heaviest in the world.

5413. Heavier than India?—I think so, certainly.

5414. And it has to be paid in gold?—It has to be paid in gold.

5415. The proportion of debt-charge to revenue is 4½ out of 10?—Yes. Then, regarding the fluctuations of requirements, I take it that the circulation requirement of Egypt during the busy season is about 3 millions more of gold than during the slack season. There is that amount coming in every year. Some years it is four millions, some years two millions, on the average three millions. That inflow and outflow is conducted without any interference on the part of the Government. It is purely commercial. There is one point of dissimilarity between Egypt and India which I think has importance, which is that the total silver circulation in Egypt is very much smaller than the total silver circulation in India. In that point Turkey appears to me to be more closely analogous to India.

5416. Is there any paper currency in Egypt?—No, no paper circulates at all.

5417. Now, will you tell us what you consider are the points of dissimilarity between Egypt and India?—The main, and I think the only important, point of dissimilarity between Egypt and India is, as I have told you, the smallness of the silver circulation. I should explain that previous to the currency reform in 1885 there was a large silver circulation in Egypt, consisting of Spanish dollars and of Austrian trade dollars.

5418. Is there any copper coin in Egypt?—It is quite insignificant in amount.

5419. Will you give us particulars of the piastre coinage?—There is a one piastre coin. The smallest coinage is nickel. There are nickel coins representing the thousandth part of a 1*l.* The coinage is on the decimal system. The smallest coin in practical circulation is the thousandth part of a 1*l.*, practically a farthing.

5420. That is what we may call the equivalent to our farthing, and that is in nickel?—Yes. Then there is the two-millième piece, also nickel, equal to our half-penny, and then there is the five-millième piece, also nickel, equivalent to five farthings. Then you get to the silver coinage, of which the smallest is two piastres, or 5*d.* The next is five piastres, or rather larger than one shilling, and then you get to the 20-piastres. As to the gold, there are no Egyptian half-sovereigns. They are only used for the purpose of presents. If the Khedive desires to distribute gratuities to the troops, or gratuities on the occasion of a public funeral, or anything of that kind, a few half-sovereigns may be struck.

5421. Does the currency system of Egypt give satisfaction to the commercial community in Egypt?—Yes, I think entire satisfaction. It is perhaps not ideally perfect, but it has worked well both in prosperous financial times and in difficult financial times.

5422. I see in 1896, so far as Great Britain is concerned, the imports from Egypt were 9,659,376*l.* sterling, and the exports were 3,874,674*l.*?—Those are imports and exports of what?

5423. Of merchandise into and from the United Kingdom?—Yes.

5424. Now, is there any other large amount of trade with any other country besides Great Britain?—Yes, there is a large amount of cotton exported to Russia, and there is a large amount of cotton exported also to the Continent, to Switzerland, and Alsace, and so on.

5425. The chief export from Egypt is cotton?—Yes, that is really the big crop; 75 per cent. of the total exports of Egypt are cotton.

5426. Can you give us in rough figures the total imports and exports?—I should estimate the average exports at 13½ millions, and the average imports at four millions less,—9½ millions.

5427. Those figures would justify you in what you said just now, that the proportion of the amount owing in gold which has to be paid is much larger in proportion in Egypt than it is in India?—I think so. Perhaps not much larger, but certainly larger.

5428. Now, have you any recurring panics or stringencies of the money market in Egypt?—No; there has been nothing in the sense of a panic in

Egypt, so far as I can remember. There is dear money during the busy season, but not real stringency, I think.

5429. There is not what you would ordinarily call stringency?—No, I do not think there is.

5430. Now, do you consider that there is any redundancy of currency?—No; I think that both the stringency and the redundancy are corrected by the inflow and the outflow.

5431. You have already told us, I think, that the Government do not interfere at all?—The Government do not interfere.

5432. And that, in your judgment, Egypt is a richer and less indebted country than India?—I should not like to give an opinion regarding the relative wealth or poverty. I think Egypt is certainly more indebted. As regards the question of poverty, that is an extremely complicated question.

5433. (*Mr. Hambro.*) You put it that the exports and imports were enough to pay the foreign debt; but are not the exports of Egypt so big that they can also import every year a large amount of bullion?—Yes, it certainly admits of that.

5434. The exports are so much in excess of the imports that they not only pay the four millions interest on debt, but also import about two millions?—I should think about one million remaining.

5435. (*Mr. Campbell.*) Do the figures you have given include treasure?—They do not include treasure.

5436. (*Chairman.*) Now, what is the currency system in Turkey?—The essential features of the Turkish monetary system are a circulation of between eight and nine million pounds of silver medjids or Turkish dollars.

5437. What would they be worth in our currency?—They are practically similar to a double rupee.

5438. Four shillings?—Yes. The intrinsic value is about 50 per cent. of the circulating value. The gold circulation is of about similar amount, 8 or 9 millions, the coins being Turkish pounds, which are worth about 18*s*.

5439. Nearer to a napoleon than a sovereign?—Yes.

5440. What is the Turkish name for it?—The Turkish lira is a gold coin worth about 18*s*.

5441. The trade of the interior is carrried on almost entirely through the silver medjids?—Yes. The trade in Constantinople, and the large seaport towns is carried on mainly through gold.

5442. There must be smaller coins than the medjids?—Yes, there are quarter medjids, and a one piastre coin, or the hundreth part of a Turkish pound, but the amount of those is small. The Turkish Government does not undertake any conversion of gold into silver, or of silver into gold.

5443. That is entirely left to the operations of trade?—Yes.

5444. Are the taxes paid in silver?—The system of taxation in Turkey is rather complicated. Most of the taxes are payable in silver medjids, but the Customs duties are payable only in gold. Legal tender varies according to the practice of different parts of Turkey. In some parts, if no special coin is specified, the contract has to be fulfilled in silver, in other parts it has to be fulfilled in gold.

5445. Is the bulk of trade of Turkey with silver-using countries or with gold-using countries?—The bulk is with gold-using countries. The largest portion of the exports come to England, about 50 per cent.

5446. Can you point out any points of similarity in your judgment between Turkey and India?—I think a very strong point of similarity between the two countries is the large silver currency of over-valued silver through which the bulk of the transactions of the greater portion of the country is conducted. The heavy foreign indebtedness of Turkey is also a point of similarity, although the indebtedness of Turkey is not so large as that of India; it is somewhat less.

5447. You mean not so large in proportion?—In proportion.

5448. What is the annual indebtedness?—The annual indebtedness of Turkey is about 3½ millions.

5449. I mean the indebtedness which is paid?—Yes, I am speaking of the figures after the reduction of the debt.

5450. Is there any other point of similarity that strikes you?—I think the poverty of the population is, perhaps, a point of similarity. Another point is the gold currency of the capital and the seaport towns, which has existed for a great many years without penetrating to the interior or displacing the silver currency. The silver currency has been in force in the interior and the gold currency has existed in the ports of export.

5451. Is the coinage entirely in the hands of the Government?—The coinage is entirely in the hands of the Government. The Government does not really manage it much; all they have to do is to abstain from coining excessive quantities of medjids.

5452. The token currency?—The token currency. Up to 1884 they used to make very large issues of these silver dollars, and the silver dollar in consequence kept on falling. Since 1884 they have merely abstained from making further issues, and the silver currency has kept stable—extremely stable.

5453. Then, up to 1884, were the mints open for the coinage of silver?—No, it was then done by the Government, but in order to make the profit between the intrinsic value of the dollar and the circulating value of the dollar the Government issued excessive quantities.

5454. It was still a limited currency which the Government expanded at their own option?—That is it.

5455. And the mints were always open to gold coinage by the Government?—Yes, the mints were always open to the banks or traders, they could bring in gold either in bars or sovereigns, which could be turned into Turkish sovereigns at a varying charge, a quarter or a half per cent., or something like that.

5456. Is there anything that strikes you with reference to the points of dissimilarity between Turkey and India?—I do not see any considerable point of dissimilarity except this, that the silver medjids in Turkey are not accepted by the Government in payment of all taxes, that is to say their customs have to be paid in gold. I take it that in India under any system the rupee would be accepted in payment of all taxes.

5457. In what currency does the Turkish Government make its own payments?—Its payments abroad are made in gold.

5458. I mean its internal payments?—Principally in silver. All its troops are paid in silver; all its employees, when they are paid, are paid in silver.

5459. Now, will you first deal with the external, and then with the internal, trade, and tell us how does this currency system work in Turkey?—I think it gives general satisfaction. The fluctuations in the price of the dollar, as measured in gold, are very slight—only one, or at the most one and a half per cent. The fluctuations of exchange in Turkey with foreign countries, England or France, are also well within gold points; the gold points are about 108·50 for bringing in gold and 112 for exporting gold, but as a matter of practice those extreme points are hardly ever touched.

5460. Then, practically, you have in Turkey a stable exchange?—Quite.

5461. You have a token currency restricted by the Government?—Yes.

5462. And you have, since 1884, prevented the fall in the value of your silver currency by limiting the coinage of the dollar?—Precisely.

5463. Is import and export of gold carried on entirely by private enterprise, or is it at all controlled by the Government?—The Government practically do not interfere with it at all. The amounts of gold imported into Turkey are very much smaller than in the case of Egypt. I have not the exact figures, but

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they are not more than 300,000*l.* or 400,000*l.* in any one year. The export of gold from Turkey is almost unknown; whatever gold passes into the country is absorbed.

5464. Hoarded?—Hoarded.

5465. Do you think the amount of gold in Turkey is very great?—No, the amounts are inconsiderable when compared with those in Egypt.

5466. Do you know the aggregate Turkish imports and exports?—The figures that are published are unreliable. I do not think it is worth while giving the figures that are published.

5467. Do you think there is a large balance?—I think so, undoubtedly, but it is extremely difficult to give accurate figures. The figures that are given might be made to support any account you like; I do not think they are worth serious consideration.

5468. What are the points of analogy between Egypt and India? And do the points of analogy between Turkey and Egypt and those between Egypt and India appear to you to contradict each other?—No; the main point of difference in Egypt, as compared with India, is the point I mentioned about the silver currency.

5469. Is there any point of contact with reference to the crops?—There is rather an interesting point, I think, with reference to the crops. In Turkey the crops are much more varied, and they are spread out over eight or nine months of the year. In Egypt, the main crop being the cotton crop, the demand for currency comes to a sharp point in two or three months of the year, January, February, and March.

5470. Now we will come to the Indian question. Are you familiar with the proposals that the Government of India have made, which are now before this Committee?—Yes, perfectly.

5471. Do you believe in the possibility of a gold standard for India?—Judging by my Turkish and Egyptian experience, certainly.

5472. With or without a gold currency?—I think either with or without. Personally I am in favour of a gold currency.

5473. Will you explain what your views are, generally upon the proposals of the Government of India, and your own modifications of them?—It appears to me that a gold standard without a gold currency, although theoretically possible and exceptionally worked in other countries with success, is something abnormal and removed from the general conditions of the best currency systems in actual working. I will not detain the Committee with any theoretical discussion, but it will be clear that a gold standard based upon free import and export of gold with the free use of gold coins for the purposes of trade and for the payment of debt is a more usual and more healthy system than that under which the sole medium of exchange is an overvalued token coin. It may also be asserted that the intervention of Government in a system of gold standard without gold currency will probably be larger than in a system with gold currency; and this intervention is clearly an undesirable feature. I should lay it down as an axiom that the system to be established should be as automatic as possible; and that the intervention of Government should only occur in absolutely fixed eventualities, and to a fixed and limited extent. I view with great suspicion any scheme under which the Government of India can make a profit out of a further issue of currency. History shows that the temptation which is thus offered to Governments to create overissues is considerable, and although I believe that the Indian Government would be proof against any such temptation, I do not desire to place them in a position of being suspected.

5474. (*Sir D. Barbour.*) I think you said that in the case of the Turkish Government you had succeeded in inducing them not to give way to that temptation?—Yes. Then, as to the point regarding the hoarding of gold if a gold currency is established. This is undoubtedly a subject for serious consideration. I believe, however, that those authorities who think that gold will be hoarded to a far larger extent than at present considerably exaggerate the probable penetration of gold into the interior under a gold marginal system. If the Turkish precedent is followed, gold would remain almost entirely in the Presidency and the seaport towns, and will not penetrate to the interior, where the greater part of the hoarding takes place. My experience in eastern countries does not allow me to anticipate any sudden change in the habits of hoarders from the measures now under consideration.

5475. (*Chairman.*) Have you any opinion as to why the closing of the mints in 1893 failed to bring gold into India?—The fact that gold has not hitherto been sent to India under the 1893 measure does not cause me any surprise. I should rather have anticipated it. The first and main reason appears to me to be that the absorption of the rupee currency has not yet gone sufficiently far. The currency is still during the greater part of the year more than sufficient for the 1*s.* 4*d.* level. During the busy spring season I think that gold might have been sent to India in certain quantities this year, if sovereigns had been legal tender and if the force which is called "the "evasion of the maximum" had not operated.

5476. Do you attach much importance as affecting the import of gold to gold not being a legal tender?—I think so. It seems to me that if it is not legal tender it makes it much more difficult for banks and others to keep reserves in gold.

5477. (*Sir D. Barbour.*) Does that difficulty arise when the Government offers to give rupees for sovereigns?—That, I think, brings in another question altogether. It seems to me that the fact that the Government are prepared to set free more rupees against the gold imported renders certain, or at any rate makes much more probable, a subsequent fall in exchange, because by the fact that they set them free they increase the supposed redundancy.

5478. (*Chairman.*) Have you considered at all the effect upon the monetary system of India of the Government keeping large balances at certain periods of the year in the treasuries?—I have. It appears to me that the practice of recent years of the Government of India of keeping larger balances in the spring, which is the busy season, and the time when the demand for currency by the country is the greatest, than they do in the monsoon, or the dull season, has been a potent cause of instability and of stringency during the spring. I submit that the Government, if they had the means and if they acted wisely, would do precisely the opposite to that which they now do. Instead of withholding from circulation six crores more during the busy season (or it may be rather less than six crores), they would restrict the amount set free during the dull season and enlarge the amount of rupees set free during the busy season or the period of demand. They would proportion their supplies to the demands of the country.

5479. That I assume would be purely a banking arrangement between themselves and the banks?—Yes, or even between themselves and their reserve. This may or may not require an increase of working capital. I am not in a position to say whether the Government of India can do that without a larger working capital, but if it was done I believe that the total correction to the present fluctuations, which will amount to 12 crores, six crores each way, would go far to remove both stringency and instability. I think that is an important point.

5480 Would it be affected if the relations between the Government of India and the Presidency banks were the same as our relations between our Government and the Bank of England?—I am not prepared to answer. I do not know exactly the relations between our Government and the Bank of England.

5481. At certain times the Government have large balances and at certain other times it is the other way?—It does not appear to me at all difficult to arrange the relations between the Presidency banks

and the Government of India in such a way that the currency supplies should be fairly proportionate to the currency demands. A measure of that kind appears to me to be not an undue intervention of Government. I mean it is not fingering the exchange too much, because I do not propose that they should intervene more than they do now. I only propose that they should intervene at the right time and not at the wrong time, and that their action should moderate the oscillations of exchange instead of intensifying them as I believe their present action does.

5482. Their present action you regard as abnormal?—Yes.

5483. Therefore what you propose is that what is abnormal should become normal?—Yes. That is a point to which I attach very great importance.

5484. Have you considered at all the detail of a gold currency in India. How would you propose that it should be carried on?—I think I can give evidence on that point. My opinion is, that in the earlier stages—I am presuming that gold is made legal tender in India—sovereigns would not penetrate beyond the seaport towns. The amount of sovereigns at first imported would not be considerable. They would merely come in to supplement the deficiency in the currency caused by the absorption of rupees which is undoubtedly going on. During the first years after the import of sovereigns in the way I indicate, I believe that nearly the whole of the sovereigns imported to supplement the circulation during the busy season, would be exported during the ensuing dull season. That would give the elasticity required. It has been estimated that the annual addition to the currency required by India may be set down at 3½ crores per annum. I do not vouch for the figure, but assuming that to be true, I should estimate that, beginning from 1900, an annual amount of about 2¼ millions of gold would be added to the Indian currency. If this took place in five years there would be a gold marginal currency of 11 millions. I see no special reason for hastening or stimulating the import of gold to India, provided that the Government take measures to correct the redundancy during the dull season by withdrawing rupees, but only at a low exchange figure. The effect of the measures to correct redundancy which I propose, if undertaken to the extent of say 15 crores, would be virtually to endow 15 crores of rupees with the exportable qualities of gold; it would afford a market for the surplus rupee currency during the dull season; in other words, until the gold marginal circulation had become sufficient to supply the necessary elasticity, the Government would intervene and supply to a circulation redundant during the dull season a market for excess quantities up to 15 crores, or the figure up to which they choose to go.

5485. Then do you propose that the Government should import gold themselves?—No, I think that ought to be left entirely to the operations of trade.

5486. To exchange operations?—To exchange operations—to private enterprise. I should merely propose that to the extent of 15 to 20 crores or whatever the amount might be, they should provide an overflow reservoir so as to prevent the fluctuations of exchange in the downward sense and below a fixed level of (say) 1*s.* 3½*d.*

5487. Have you considered the question of making Bank of England notes legal tender in India?—I think the idea of making Bank of England notes legal tender in India would be an interesting development of the scheme. It appears to me a proposal against which no very strong arguments have been brought and in favour of which a great deal may be heard. So far as I am acquainted with the question, the principal argument brought against a gold currency in India is the danger of increased hoarding of gold. I do not give an opinion as to whether that is a correct objection or not, but the argument has been urged that there would be a danger of increased hoarding of gold, or to speak more accurately the replacement of existing rupee hoards by gold. If the gold circulation of India were in 5*l.* notes instead of in sovereigns, the danger of hoarding clearly diminishes or entirely disappears. I do not think there is danger of the hoarding of Bank of England notes. It is also clear that the Bank of England notes cost much less to remit both ways than gold costs. So that when the final stage is reached the gold point or the Bank of England note point would be a mere fraction on either side of 1*s.* 4*d.* The fluctuations in exchange would be reduced to an absolute minimum which would certainly have the tendency to keep discount rates in India at a fixed level and prevent stringency. I should think also from the point of view of the London money market the use of bank notes in India, would be preferred to gold—I mean it would be a more popular method than gold.

5488. It would reduce the drain of gold from this country?—Yes.

5489. Have you any more to say with reference to the proposals of the Government of India?—To finish the bank-note discussion, it would be a question whether you would make both gold and bank notes legal tender, or whether you would replace sovereigns by the bank notes. My view on that is that you can safely make both legal tender; that the bank notes will compete favourably with the gold, that is to say, they will go in at a lower level than gold, because they are cheaper to convey. If bank notes are accepted by the usages of the country and pass into current use they will flow in before gold, because they are cheaper to convey. You may get in a certain amount of gold from Australia and Egypt at given seasons of the year, but that is a mere detail of exchange. So that I should let both gold and bank notes be legal tender.

5490. What is your opinion of Mr. Lindsay's scheme?—There are two or three points on which I differ with Mr. Lindsay. One of the principal points is that Mr. Lindsay proposes to give gold drafts on London against rupees at 1*s.* 3¾*d.*, and to receive at this rate an unlimited quantity of rupees. I should propose to issue gold drafts on London only at a lower level, that is to say at 1*s.* 3½*d.* I want to increase the margin. That would leave a larger margin between the par of exchange, 1*s.* 4*d.*, and the point of Government intervention. I bring the Government in less soon. I propose also to limit the amount of gold drafts issued by the Government to a certain fixed sum.

5491. You mean the Government of India?—Yes, I am alarmed by the unlimited convertibility or unlimited liability which would be undertaken by the Government under Mr. Lindsay's scheme. I am anxious to have the sum fixed large, but I think it would be very unwise to undertake an unlimited liability, because you cannot say what will happen.

5492. Is there any other criticism you have to make upon Mr. Lindsay's scheme?—The other point where I am in disagreement with Mr. Lindsay's scheme is the point regarding the gold currency. Mr. Lindsay, I think, does not introduce gold or the representative of gold in the sense of bank notes. I am very much opposed indeed to a system under which there could be no gold or no representative of gold, and I think it is illogical to propose, as Mr. Lindsay does, to increase the rupee currency (the present system does also) when it is generally assumed that the present amount of rupees in circulation is redundant and when you will theoretically have to absorb every dull season a considerable portion of the new rupees which you have let loose or created in the preceding spring. You are constantly adding to the burden which you will have to bear in the autumn, and that seems unwise and illogical. I should propose to supplement the currency in the spring, if an addition is required, by some coin which can find its own level.

5493. And that must be a gold coin?—That must be a gold coin. Gold is the only substance which has that unlimited market without variation of price.

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5494. Mr. Lindsay's scheme has been described, I think, by Sir John Lubbock as a gold exchange standard. Do you think that is an accurate expression?—I think that is a correct description of it. Outside the points which I have mentioned I think Mr. Lindsay's scheme brings in the intervention of Government more than is necessary, and more than is desirable.

5495. And increases its liability?—And increases its liability. In reality my points of criticism of Mr. Lindsay's scheme are points more of detail than anything else. My ideas are generally similar to his, subject to these rectifications. There is the point of principle of course where we differ, which is the gold currency. The others are really corrections more than differences of principle.

5496. Now taking your figure of 1*s.* 3½*d.* Will you explain why you think that commerce will assist Government better at 1*s.* 3½*d.* than at 1*s.* 3¾*d.*?—The explanation is, I think, easy. If in July at the beginning of the monsoon, a trader in India has a thousand rupees which he will require for purposes of commerce in December, and if he anticipates, as he will be justified in anticipating, that the then rate of exchange will be 1*s.* 4*d.* or above, it is clear that by keeping rupees at 1*s.* 3½*d.*, or a fraction above until December, when he can use them at 1*s.* 4*d.*, he is using his money at nearly 9 per cent. per annum, whereas by tendering his rupees to Government in July and getting sterling drafts he can only employ his money in London at a considerably lower rate, a rate less than 9 per cent. The question is simply a rule of three. If the Government intervene and buy these rupees at 1*s.* 3¾*d.* it suits the trader better to put his rupees on the Government—to employ his money until December in London and then undo the operation in December. Assuming that he can make 5 per cent. in London with his money, he will make a better operation of it than by keeping the rupees in his coffers until the busy season. I think if you make the margin sufficient (the margin I propose being ½*d.* below the par of exchange), there will be the evasion of the minimum at the low rate, just as there is now an evasion of the maximum at a high rate. Both those evasions assist you in steadying exchange; they are both of them factors which assist your policy. Of course directly you diminish the margin this goes away; people come on the Government every season and that is what I want to avoid; I want Government intervention to be quite exceptional.

5497. In other words, you believe that the danger of the public having recourse to the Government diminishes with the margin between the exchange and the point of intervention?—Absolutely.

5498. Now, if the Government withdraw rupees under your scheme, how will they pay for them?—There are two methods. The first and the most simple would be to borrow in London the requisite amount, taking a given sum to start with and borrowing subsequently as might be required. There is a second plan which appears to me to be preferable if it is possible (upon which I speak with reserve), namely to take into the currency reserve in India the first 10 crores of rupees tendered—that is to take the first 10 crores of rupees tendered into the reserve kept against the paper currency. These would set free 10 crores of other securities now held in the currency reserve. These 10 crores might either be realised or temporarily borrowed against in London where the money is required. The money would be required in London where, I submit, you could borrow it against these other securities. The metallic basis of the present note issue would by this means be strengthened; practically the whole of the reserve against notes would be on a metallic basis. Another advantage would be that the necessity to obtain new borrowing powers would be deferred until 10 crores of rupees had been absorbed. Under favourable circumstances I believe that these 10 crores might be found sufficient. and that the amount of Government intervention required to keep exchange above 1*s.* 3½*d.* would not exceed this amount, in which case no further legislation would be necessary. You would not have to go to Parliament for it. The Government of India could work the whole thing on their present resources.

5499. Then are you in favour or not of melting down the rupees that are withdrawn?—I am against melting down rupees. I should propose that the rupees be kept until they can be issued in exchange for drafts on London at a minimum of 1*s.* 4*d.* I should take them in at 1*s.* 3½*d.* and sell them at 1*s.* 4*d.*

5500. Do you think the melting down of rupees would have an injurious effect on the silver market?—I think so, certainly; and I think it is very much the interest of India and the interest of the Government of India to treat the silver market with great delicacy.

5501. In fact you think the Government of India, whatever it does, should not interfere to depress the silver market?—Most certainly; I have that opinion very strongly. I should say that the rupees put upon the Government at this 1*s.* 3½*d.* level should be kept until the Government acquired the absolute conviction that they will not be wanted again in circulation, and I do not think they will ever get that conviction.

5502. (*Sir D. Barbour.*) Do you contemplate their coming back in the busy season?—Yes, if it was ultimately thought expedient to melt them down I should recommend very gradual action. I should not melt more than one crore a year. I should treat the silver market delicately.

5503. (*Chairman.*) Then you do not object to the Government being always ready to take 15 crores of rupees from the market at whatever moment they may be asked to do so?—No; I think it is essential that they should take them without the smallest hesitation. The public must know that the Government are absolutely bound to take the rupees at that figure without any administrative decision whatever. You must have that as a positive certainty.

5504. That you regard as essential to maintaining stability of exchange?—Quite. There must be no telegraphing to Simla or anything else.

5505. That you regard as totally apart and distinct from any question of convertibility?—Yes, quite separate from any question of convertibility. I call that merely steadying.

5506. Now, have you any opinion as to whether there would be a great consumption of gold by India by the adoption of this plan, and if so, how it would affect the gold market?—I think it is difficult to speak positively on the question of the absorption of gold in India. I do not think you can give a decided opinion. The substitution or the addition of bank notes to gold would certainly diminish the amount of possible absorption. I also think that the world's production of gold is now increasing at such an astounding rate that the danger is not considerable.

5507. Can you tell us the increase in gold production during the last 10 years?—In 1888 the amount of the world production of gold was 22,000,000*l.*, or 23,000,000*l.* sterling. I think that in the present year it will amount to 46,000,000*l.*, possibly more; and I think that the view of the best authorities on the point is that before the year 1903 you will certainly have a world production of gold considerably over 60,000,000*l.*, that is to say very nearly three times as much as it was 10 years ago.

5508. Then, so far as the gold market is concerned it would be an advantage to have a large consumption of gold in India?—That is quite possible. At any rate I should not be at all alarmed if India absorbed say 2,000,000*l.*, or 3,000,000*l.* of gold more.

5509. Now we have so far in the course of your examination been proceeding on the assumption of the 1*s.* 4*d.* rate for the rupee. Have you any opinion with reference to that figure—have you any special reasons in favour of a 1*s.* 4*d.* rate?—That is a point on which

I have no special experience, nor any special argument to bring forward. Whether 1*s.* 4*d.* is as good a rate as 1*s.* 3*d.* or 1*s.* 5*d.* is a matter for consideration of people with local knowledge and local experience. I regard the 1*s.* 4*d.* rate as being longer to establish than the 1*s.* 3*d.* rate, and as being shorter to establish than the 1*s.* 5*d.* rate; but I have no special view in favour of either one or the other, except that I am much against change, and as 1*s.* 4*d.* has more or less been adopted as a par of exchange, I should only change that if I saw very strong reasons for doing so.

5510. You are, of course, aware that since the operation of the closing of the mints has fairly come into effective force, practically the exchange has varied very slightly from 1*s.* 4*d.* ?—Quite so.

5511. Now, have you considered at all the present mode of drawing Council bills, and whether it should be modified at all by the suggestions you have made? —There would not be necessarily any modification of the system of drawing Council bills, I think. It appears to me that the present system, which may or may not be good—I do not at all give an opinion on that point—tends to exaggerate in the public mind very unduly the importance of the indebtedness of India.

5512. Now will you just explain that?—If you compare India with Egypt, in Egypt the Government, having to remit annually on account of foreign indebtedness an amount relatively to the trade of the country much larger than in India, buy export bills from export merchants at Alexandria, and I think I can say that nobody knows that the Government are buying. The whole thing goes on in a normal way. Nobody knows when it is done or how it is done; it is never talked about at all. The amount remitted which, as I have explained, is relatively greater than the amount remitted in the case of India, is done with a minimum of fuss and bother. The same thing applies to Turkey, where the amount, as compared with trade, is perhaps rather less than in the case of India, but not considerably less in proportion, and where these remittances are carried on through the banks; nobody hears anything about it whatever. I submit that the present system of Council drafts very much complicates the question and altogether exaggerates the difficulty of the problem. For instance, if the Indian Government bought their bills from exports merchants in India we should hear much less about Indian indebtedness and a great many false remedies and false theories which are now put forward. All I say is that the present system is unusual, and that it rather tends to exaggerate certain features of the question unduly.

5513. Just take this concrete case. I suppose I am within the mark when I say that one half or more than one half of the remittances from India in the shape of Council drafts are for the purpose of paying railway obligations?—Quite so.

5514. Now, suppose those obligations of the great Indian railway companies were discharged by the companies themselves through their own agents in London it would not produce that impression of this enormous indebtedness and create what you call the maximum of fuss created under the present system?—That is exactly my point.

5515. Under the present system the Government of India appears to be responsible for everything that India has to export from India to this country?—Yes, and if the companies did it directly I believe it would be done just as well, and not so much bother would be made about it.

5516. (*Mr. Campbell.*) I think you said that in your opinion one of the reasons why gold did not go to India was because it was not legal tender?—Yes.

5517. But you are aware, are you not, that the Government offer to accept sovereigns, and that they will give rupees at the rate of 15 rupees to the sovereign?—Yes.

5518. For the remitter of gold, is not that just as good to him as if they were legal tender?—No, I do not think it is, because I do not think under the present system, gold not being legal tender, banks could keep their reserves in India in gold.

5519. If they had the option of exchanging for rupees at any moment?—Quite so; but under the present system those rupees which the banks would draw from the Government of India would increase the amount of rupees in circulation, and would therefore increase the redundancy of the rupee circulation.

5520. But would the remitter look to that at all? All he wants is to get the assured convertibility of the sovereign into rupees?—That may be so; but I think the system established on such an illogical basis must certainly retard the moment when gold is sent. The main reason gold has not been sent is, in my opinion, that the rupee currency has not been sufficiently absorbed. That is the main reason—perhaps 80 or 90 per cent. of the whole. The other is a comparatively subsidiary matter, but has a real importance.

5521. You are aware that although no gold has gone into the Indian Treasury for currency purposes, India has taken a large amount of gold apart from that altogether?—Yes, for hoarding or for industrial purposes.

5522. And are you aware that the bazaar has given a higher price for sovereigns than the Government of India offer?—Yes.

5523. And I think you said that you did not expect that gold would go into the interior much?—I think not at first at any rate. The gold would be kept in the seaport and the presidency towns. I distinguish very clearly between the hoarding or industrial demand, and the currency demand for gold. The two are quite apart in my opinion.

5524. Are you aware that all that gold which goes out to India finds its way up country almost immediately, it does not remain in the presidency towns?—Quite so. Why should it now remain in the presidency towns? Up to the present there has only been this hoarding or industrial demand, there has been no currency demand for gold.

5525. I think you said that in all probability 3½ millions of gold might go in during the busy season, and perhaps half of that or thereabouts would come out again during the slack season?—No, that is not what I meant. The 3½ millions I spoke of is the figure which I am given, and for which I do not vouch, of the annual addition to currency required by India. So that the amount of gold, or of bank notes which would go into India every busy season would be larger than 3½ millions. The 3½ millions would be the amount which would be absorbed into the currency.

5526. And would be retained?—And would be retained.

5527. Before the mints were closed, and when silver was the currency, of course large amounts of silver went out to India for coinage purposes?—Quite so.

5528. Are you aware that practically none of that ever came back; that India never exported rupees?—Possibly. That was all absorbed, either in hoards or in industrial employment or in circulation.

5529. Would you not suppose, judging by that, that whatever gold was taken in the busy season would remain there in the same way?—No, I should think not. Gold could be exported cheaper relatively than silver could, and I should anticipate that a certain amount of gold would probably flow out during the dull season.

5530. I am speaking of the time that the mints were opened, and rupees were really at their intrinsic value, so that there would not be much loss in sending silver back any more than there would be in sending gold back?—But I imagine that the market for silver has never had the same stability that the gold market has. There is more facility for sovereigns or bank

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notes out to relieve a supposed redundancy than there has been for coined rupees coming out.

5531. But if there was no back flow of gold; if India kept all the gold she got?—I should not be alarmed if that was the case at all. One great difficulty in estimating the amount of the gold that will go in and come out is the fact of the present balances of the Government of India being, what I call, mismanaged. It makes it extremely difficult to say what the difference of level between the busy season requirement and the slack season requirement is.

5532. You also told us that there was a larger Government balance during the busy season than during the slack season?—Quite so.

5533. Is not that owing to the collection of revenue coming in to a larger extent at that time?—That is possible; but I think it is perfectly possible for the Government to pay out or lend out the money which they receive for taxes with a minimum of detention. Why should the Government want a larger balance in spring than in autumn?

5534. Are you aware that during the busy season the Indian Council always offer a larger amount of their bills?—Quite so.

5535. And not only offer a larger amount of bills, but they offer to sell special allotments during the week at a slightly higher rate?—Quite so.

5536. If that were taken advantage of, would not it relieve these balances to that extent?—Quite so.

5537. That is to say, the trade has the option of taking as much as it wants of these balances through the medium of Council bills?—My proposal would be to accentuate what is done now; that is to say, that the allotments should be made larger during the busy season. It is done now, but only to a too limited extent. If you take the amounts actually allotted during the spring and the amounts allotted during the autumn you will find a difference, but I submit not a sufficient difference.

5538. The market has the option of taking as much as it pleases?—At a price.

5539. On the question of the ratio, I suppose you would admit that that is a most important part of the question; I mean the ratio between gold and silver; whether it should be 1*s.* 2*d.* or 1*s.* 4*d.*, or what?—Quite so. That is a question on which I have not given an opinion.

5540. Still you might express an opinion so far as to say whether you think that the ratio should be adapted to trade requirements, or whether the Government measures should be such as to compel trade to adapt itself to the ratio they fixed upon?—As regards an alteration of the rate which is now adopted of 1*s.* 4*d.*, I think the *onus probandi* is on the people who want a change. I am much averse to a change in the present level.

5541. 1*s.* 4*d.* has never been established, has it?—I think 1*s.* 4*d.* was not formally, but I may say accidentally, established by the 1893 regulation. It was there fixed as the maximum.

5542. But in the two years subsequent to 1893 you know that the rate fell down to as low as 1*s.* 1*d.*?—Quite so, but the 1893 measure was not then effective.

5543. Then, with regard to Mr. Lindsay's scheme, I think you said you would prefer to limit the amount of the Government's responsibility?—Quite so.

5544. That is to say, you would fix an amount beyond which they were not to be called upon to convert rupees into sterling?—Yes.

5545. But if you fix a limit of that kind, would not that very much weaken the scheme?—I do not think it would. I think the fall in exchange, which we will assume, is due to the excess of supplies of rupees over requirements. I think if you diminish the supplies available by 15 crores, or it may be 10 or 20 crores (that is a question for the Government of India), in that case the available supplies of rupees will be so diminished that a fall below the 1*s.* 3$\frac{1}{2}$*d.* level will be improbable.

5546. But if the limit were fixed, say, at 10 crores, and there sprang up from any cause whatever a considerable demand for remittances home, and that demand occasioned a serious diminution in the fund in London, would not that fact tend to accentuate the drain on what Mr. Lindsay calls the Gold Standard Office, and lead to its being more rapidly absorbed?—That is bringing in rather the moral factor. The moral factor operates in a worse form under an indefinite liability than under a definite liability. The exchange fund will be much better worked, much more boldly worked, under a definite than under an indefinite liability. I believe that if you have an indefinite liability to take rupees up to any extent, the press, public opinion, Parliament, when they see 10 or 11 crores have gone, will get frightened, and say, "We are involved here "in an extremely dangerous experiment, we do not "know where it will end," and it is highly probable that in that case the thing will not be worked automatically; people will make difficulties, and they will retard the thing. I think all these little difficulties very much increase the chances of failure. I am convinced that, taking men as they are, a definite liability scheme is likely to be worked more boldly and automatically than an indefinite liability scheme.

5547. Suppose the fund were to get exhausted from any reason, what would happen then?—You would have a currency diminished by your 15 or 10 crores, or whatever the amount might be, and the redundancy to that extent would be diminished. The reduction of the redundancy for that 10 or 15 crores renders a further considerable fall highly improbable.

5548. Suppose the fall did occur?—Then you must wait till the next busy season. It will only be temporary.

5549. But the scheme will have so far failed for the time?—I do not think so. My object is only for the Indian Government to steady exchange as much as their resources permit, they will have brought their supplies, so far as possible, down to requirements, and they can do no more.

5550. (*Mr. Le Marchant.*) With regard to borrowing in London on securities from the currency reserve, might not such an operation be rendered difficult by an apprehension on the part of capitalists that the scheme would break down? For instance, suppose they thought that the sterling equivalent of the 15 crores was likely to run out, lenders might think that the payment of interest or principal of their loans was not sufficiently assured?—I do not think the danger really exists. What are the other securities? They are the 3 and 3$\frac{1}{2}$ per cent. stock. I cannot conceive circumstances under which borrowing against them would be a matter of considerable difficulty.

5551. The first actual step of the Government would be to borrow on them, as I understand?—Quite so.

5552. And to that extent, so far as borrowing went, it would resemble other plans, either of the Government or of Mr. Lindsay, that proposed borrowing?—Quite so. It appears to me that any correction of the fluctuations of exchange in the sense of withdrawing rupees entails borrowing in some form or other, and the only question is, whether it is best to borrow on other securities which at present exist, or to borrow in the way proposed by the Government of India. Let me explain the position, as I understand it. I say that the Government have or may have to intervene in order to diminish the redundancy of rupees during the dull season. In order to do that they have to give the people who give them rupees something. People want what? Gold in London. They have to get that gold in some way, and they can either borrow by issuing a new loan, as the Government of India propose, or, as I think they might do in order to diminish the trouble, they might borrow against or sell the actual stock held by them as reserve against the present issue of notes. It is a mere improvement,

a detailed improvement of the borrowing, to avoid the trouble of taking further powers for fresh loans.

5553. (*Mr. Campbell.*) It would be equivalent to borrowing?—It would be equivalent to borrowing. Instead of creating new stock you sell the old stock; you use what you have got.

5554. (*Mr. Le Marchant.*) It would be incidental, whether the rupees so received in India were put into the currency reserve instead of the securities, or whether in the first stage the sterling were taken as being put into the currency reserve?—Quite so.

5555. At that moment the sterling so raised would belong to the currency reserve because the securities would have been parted with. Then subsequently the sterling would be paid out in exchange for rupees handed in?—Quite so.

5556. And then those rupees would go into the currency reserve, and the sterling necessarily would be parted with against them?—Yes.

5557. With regard to the gold sent out on your plan, that would be entirely independent of the Government?—Quite so.

5558. Under Mr. Lindsay's plan, it appeared to provide the Government with a sterling fund which they could subsequently use for granting sterling drafts on London?—Yes.

5559. That would be a distinction between you?—That is a distinction between us; quite so.

5560. How far do you think fixing a rate appreciably below 1*s.* 4*d.*, such as 1*s.* 3⅛*d.*, would operate to prevent gold flowing in?—I do not think myself it would operate very severely in that direction. It appears to me that capital will go into India if it is assumed that capital might have a maximum fluctuation of one halfpenny or something above (I think, under my scheme, it would be precisely 21/32nds), if the fluctuations were within the limits of 21/32nds, so long as that took place regularly in trade seasons and not in an irregular manner. That is to say, if I, sending out money in February at 1*s.* 4*d.*, can say, "Well, although in November the exchange may be 1*s.* 3⅛*d.*, I know that next February I shall get my 1*s.* 4*d.* level again."

5561. With regard to the rate of 1*s.* 4*d.* Would fixing that rate involve a greater pressure on prices in India if convertibility is not provided to the fullest extent? With complete convertibility, it might be assumed that gold would flow in and out most freely, but without it, would not the inflow be so far retarded?—I think it would be in that direction, certainly.

5562. I was on the question of how far a fixed rate of 1*s.* 4*d.* might be a serious difficulty for the country?—I quite agree. As you increase the margin you have certain advantages and certain disadvantages. Among the advantages is the fact that the Government has to intervene less often, and to a less extent. Among the disadvantages are the facts that you will have theoretically dearer money during your busy season, and that you will have a smaller desire of capital to come in. But as a question of opinion, I do not think that the two disadvantages would act very seriously.

5563. Not like the recent "evasion," as you termed it?—No, I do not think so, but it is purely a question of opinion.

5564. When you suggest the Government accumulating a larger stock of rupees, so as to supply capital to the public during the crop season, do you think that might be done if, by a suspension of the sale of Council bills, rupee balances had increased and were not expended on public works?—Yes.

5565. Would not the Government be brought very directly into banking relations with the country?—No, I do not think so. The Government is in banking relations with the country now, only at present the banking operations are done at the wrong time; and I suggest that they should be done at the right time. We will take *x* figures. At present they keep away from the currency of the country 8 crores at one season and 14 crores at the other. I should propose just to reverse the operation; that is to say, that they should keep 8 crores during the busy season and 14 crores during the slack season, instead of keeping, as they do now, 8 crores in the slack season and 14 crores in the busy season. These figures may not be absolutely correct; I take them as average figures.

5566. Would you propose that the Government should pay not more in the aggregate, taking the whole year through, than at present?—I think there are two ways of doing it. It is quite clear that the Government of India can replace their rupees in circulation either by granting larger drafts in the spring, during the busy season, or by re-lending to the banks, and allowing the banks to employ, in India, the money directly it comes in.

5567. Would not the latter course have an immediate effect on exchange?—I think it would have an effect on exchange. It would certainly tend to steady exchange. It would prevent the considerable rise of exchange during the busy season which leads to a corresponding fall in the slack season. It would distinctly diminish the fluctuations of exchange. I am not at all in favour of screwing your exchange up during the busy season to 1*s.* 4*d.*, in order to say that you have got that level, if you have to pay for it later on by a large fall. I take it that an even rate during the year, 1*s.* 3¾*d.*, is much better than 1*s.* 4*d.* in the spring, and 1*s.* 3⅛*d.* in the autumn.

5568. With regard to the possible circulation of Bank of England notes in India, what purpose do you think that would fulfil?—I think they would be used to a considerable extent for operations between the banks in the presidency and seaport towns, and they might also be used as a portion of the reserves of the banks.

5569. And release rupees to that extent?—Yes; instead of the word "release" I would say "supplement" the rupees.

5570. They would keep larger reserves to that extent in that case?—No, I assume that the bank notes or gold would only go in at moments when the rupee circulation was insufficient. If you want 120 crores, you would not supply that by gold or bank notes brought in from Europe.

5571. Would it not operate in this way, that a bank instead of retaining in its treasury all the rupees it does at present would pay out a part of those rupees, and release rupee currency to that extent?—Quite so.

5572. Would not, therefore, the limit be such portion of their reserves as they could conveniently replace in this way? I wish to ascertain whether the vacuum that would be filled up by bank notes would be a very large one?—I imagine that, following the Turkish precedent, gold would gradually be found, in the presidency towns and the exchanges between banks and the Government, more convenient for large transactions than silver. The amount of gold or bank notes flowing in will be proportionate to the vacuum.

5573. And bank notes would pass out of the reserve and into circulation within banking limits?—Yes.

5574. Do you think the question of possible forgery would be serious?—Not at all; I do not think so; my experience is that false coinage and forgery are much less in practice than theoretically would be imagined. In Turkey there is every conceivable reason for enormous issues of false coins, and there are none.

5575. You do not think that persons to whom bank notes might be tendered might be suspicious?—I do not think you will get natives to accept them very soon or very readily, nor is it, I think, necessary that they should go outside the superior classes.

5576. What is the parallel on that point between India and Egypt?—In Egypt there are no bank notes at all, and in Turkey only 500,000*l.* or 1,000,000*l.* worth.

5577. Are those notes on the Imperial Ottoman Bank?—Yes.

5578. How far do they circulate in the interior?—They do not circulate in the interior. They circulate in the seaport towns and Constantinople.

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5579. Do you think that a system of bank notes would be applicable to Egypt?—Yes, I think it is quite a legitimate development of the present currency system in Egypt.

5580. I think it is being started now?—I think it is.

5581. In Egypt are English sovereigns widely in circulation?—Oh yes, they go up as far as Wady Halfa.

5582. And come down in payment for imports?—Yes, and in payment of taxes.

5583. How far are they a basis of credit and bank money?—The sovereign in Egypt and the napoleon in Egypt are exactly like a sovereign in England.

5584. There is a great elastic or expansive power round it over and above the exact amount of the coin?—Quite so, the English sovereign and the French napoleon in Egypt are exactly like the sovereign here.

5585. How far in Egypt do you consider that foreign capital is either induced to come or retarded by having a stable basis of exchange. Does it induce foreign capital to come in?—I think so. I have never heard any complaint about foreign capital being kept out of Egypt by the currency system or by the fluctuations in exchange such as they are.

5586. And no suggestion that if you were on a silver basis capital would flow more freely?—I should think the reverse.

5587. But that has not been a matter that has been a subject of complaint?—The currency system in Egypt works so smoothly that no one talks about it. Egypt is not a country of currency discussion.

5588. How far in Turkey does the gold lira circulate?—Its circulation is very small in the interior. I may say that it does not practically penetrate beyond the suburbs of the seaport towns.

5589. In Turkey, apparently, it does not flow out?—No; it is wanted for the commercial operations of these trade centres—the export towns. You mean, it does not flow out in the sense of going abroad?

5590. Either into the interior or abroad?—No, neither.

5591. The payment of foreign debt is conducted, and the movement of crops is conducted, without any material inflow or outflow?—Quite so: and the movement that there is is in the sense of inflow; that is to say, in a year of exceptionally large crops or exceptionally good trade there will be exports of gold into Turkey; and that gold does not come out again. The figures of gold import into Turkey are certainly not more than a tenth the figure in Egypt.

5592. Is the payment of the interest on the foreign debt managed through the Imperial Ottoman Bank?—It is managed through the Imperial Ottoman Bank and through the Council of the Debt—principally through the Imperial Ottoman Bank.

5593. Does the bank take the risk of the bills it buys?—Practically the bank gives telegraphic transfers, and it buys the bills itself.

5594. The Government comes under no risk?—The Government comes under no risk. The bank grants what are practically telegraphic transfers.

5595. (*Mr. Hambro.*) You said the proportion of the interest on the debt which Egypt has to pay outside is about 45 per cent. of the total revenue?—Yes.

5596. Therefore, in that way it corresponds somewhat with India?—Yes.

5597. But besides paying that, you say it has been able to absorb a large quantity of gold every year?—Yes.

5598. During those years has it borrowed on the Continent?—Only very small sums. Since the Alexandria indemnity loan, guaranteed in 1887, there has been no Egyptian borrowing at all. It has been just paying the interest on the previous borrowing without any increased borrowing.

5599. As far as I understand, India imports to balance her trade bullion every year; but I have not got it very clearly whether she imports more than she borrows on the Continent. Her balance of trade is very insignificant if she does not import more bullion than she borrows on the Continent. In Egypt you have been able to pay the debt and import 1½ millions without any borrowing. Therefore the proportion you have to pay on the Continent is smaller as compared with the balance of your trade than in India. If you had no debt on the Continent, instead of importing 1½ millions and exporting 4½ millions, you would have imported six million in bullion to balance trade?—Possibly. I do not think you would have imported 6 millions in bullion to balance trade, you would have imported something less.

5600. But India borrows so much on the Continent that the balance of trade is nothing like so largely in proportion in her favour, I believe. Now you told us about the amount of the extra token coin which is wanted in the country each year, and the difficulty you had in stopping the Turkish Government from increasing their token coinage. I think the supposed increase of the population in England is about 300,000 per annum, and the average increased requirement of our token coinage is estimated at about 600,000*l.* a year. Have you any idea what would be the increased requirement in India with an increased average population of four millions a year?—The figure which has been given to me—which is an approximation, is 3½ crores a year.

5601. When you have made the sovereign legal tender do you think it will assist the inflow of gold into India if you get the Customs revenue payable in gold?—I should not desire to do that. I should desire gold to be made legal tender for everything. I should have one set of coins legal tender for all purposes, and not have one for Customs and another for private debts and commercial accounts, I think the system of Turkey is a very awkard one—silver medjids for the sheep tax for instance and gold coins for the Customs. I think that is a bad system.

5602. (*Chairman.*) What I understand you propose is that we should leave the rupee alone—unlimited tender—and that we should add to that gold as unlimited tender, the Government not interfering with it one way or the other?—Quite so.

5603. (*Mr. Holland.*) You told us that the Turkish Government had abstained from coining an excessive quantity of silver, but that they had done so under pressure from the outside?—Under recommendations, I should say, from the State Bank.

5604. Is the effect of those recommendations likely to be permanent or will there be a risk of a recurrence of that temptation?—I think now they have got over the danger. They see that the abstinence from increasing the circulation has produced very good results.

5605. You told us that the statistics of imports and exports into and out of Turkey were very unreliable. Can you tell us any reason why they are unreliable?—There is no statistical department of the Turkish Government. The Customs keep nominal statistics, but it is more for revenue purposes than anything else; and anything that does not pay a tax they do not put in.

5606. It is not because of its being to anyone's interest that the statistics should be unreliable?—No, not at all. It is simply that they are an unstatistical people.

5607. You told us that, although gold was imported into Turkey, it was never exported?—That is so.

5608. Is it the same with regard to Egypt?—In Egypt, after every busy season there is an export of from one to two millions.

5609. Do you think that the inaccuracies which you speak of in the trade statistics of Turkey extend also to the statistics with regard to the import and export of gold?—No, I think not, because that record is really kept by financial institutions for their own purposes.

5610. You refer to the extreme importance which exports of cotton hold in the total exports from Egypt. Do you think that these increased exports of

cotton from Egypt are to be attributed to the improved irrigation that has been carried out for the last few years?—Certainly.

5611. So that the Government has had a very real interest in the outlay on productive works of that class?—No doubt.

5612. For they have contributed a good deal to national prosperity?—To a remarkable extent. The public works there have increased the cotton crop by fully 150 per cent.

5613. You told us, I understood, that although they had a silver currency in Egypt, it was only legal tender to the extent of *5l.*?—That is so.

5614. Of course, in regard to the silver currency of India the rupee is unlimited tender. Does not that differentiate the case of India very much from that of Egypt?—I do not think so to a large extent; and what difference there is is that the rupee will be better treated in India than is token silver in Egypt. I think the real difference in that respect is that in Egypt the amount of silver currency is very much smaller than it is in India.

5615. You are aware that one of the chief objections to the introduction of a gold standard is that we have not yet sufficient gold available for the operation?—Quite so.

5616. But I understand you think that there is sufficient gold available for carrying it out?—Quite.

5617. Can you tell us in round figures how the populations of Turkey and Egypt compare with the population of India?—The population of Egypt is, I believe, now estimated to be something between 9,000,000 and 10,000,000; the population of Turkey is estimated to be about 20,000,000.

5618. In round figures one-tenth of the population of India?—Yes.

5619. Do you entertain the opinion that the amount of currency needed in a country is at all proportionate to the population of the country?—I think the amount required per head of the population varies enormously with different countries.

5620. You admit probably that a gold standard with a gold currency would need more gold than without a gold currency?—Yes.

5621. In regard to the proposal of the Indian Government, are we to understand that you prefer Mr. Lindsay's proposal to the proposal of the Government of India?—Well, I do not like either, but my views are more analogous to those of Mr. Lindsay than to those of the Government of India.

5622. Do you consider that fluctuation of exchange is a very great evil?—Yes, I think it is a very great evil if it fluctuates with unknown maxima and minima. I think a fluctuation within say a farthing or a halfpenny or three farthings at stated seasons is not a great evil.

5623. You are aware that the Herschell Committee rather minimised the permanent effect of fluctuation in their report. They say, "Notwithstanding these "fluctuations, the volume of trade over a series of years "has not been diminished from this cause"?—Quite so. I do not attach undue importance to it; but I think if you can get a stable exchange you had much better do so.

5624. In reference to the objections which exist to a token currency, one of them is that it has to be managed by Government?—Yes.

5625. But, I suppose, by lowering the rate, as you suggest, there will be less management needed by the Government than would otherwise would be the case?—I think so. I think the management by Government will only be needed to a small extent, and only for a very brief period. You would very soon arrive at your second and third stages at which any Government intervention will not be required.

5626. You admit, of course, that great stringency in the money market is an evil in its influence on trade?—Quite so.

5627. Have you any opinion as to how the great stringency that has existed latterly in India has been caused?—Yes, I have a strong opinion. I think there are two causes. First of all, the question of the management of the Government balances; and, secondly, I think the present system tends enormously to increase stringency during the busy months.

5628. Do you think the action of the Government in closing the mints in 1893 had anything to do with the stringency of the money market?—I think so. I think the stringency has certainly been accentuated by the present method.

5629. Do you think that the supply of rupees at the present time is in excess of trade requirements?—I think redundancy or the reverse can be measured absolutely by the course of exchange; that is to say, that the circulation is redundant when the exchange is under 1*s.* 4*d.*, and it is not redundant when the exchange is at 1*s.* 4*d.*

5630. You do not think that the high charges for interest and discount are any criterion as to the supply of currency?—I think it is not nearly so good a guidance of redundancy or stringency as the exchange.

5631. (*Sir A. Dent.*) You told us that in Egypt they have got practically no currency question, and from what you have told us of the rates of interest, 9 or 10 per cent. in the busy season, and 4 or 5 per cent. in the slack season, I should imagine they have hardly got an interest question either?—In reality there is no complaint regarding these rates.

5632. I am thinking of this question rather from the planter's point of view, and in reference to India and Ceylon planters, they are very much affected, you will admit, not only by the rate of interest, but also by the rate of exchange?—Quite so.

5633. Then, I think you said also that the rupees, in your opinion, are not sufficiently absorbed?—Yes.

5634. If you are an advocate for the further absorbing of rupees, surely that would bring additional disaster to the planters?—No, I think the present stringency is caused to a considerable extent by the fluctuations of exchange—much more by the fluctuations of exchange than by the insufficiency of the rupee currency. I believe that if you can eliminate these extreme fluctuations of exchange you will get rid of the stringency, which is undoubtedly a great existing evil.

5635. The fluctuations of exchange you recognise, I suppose, affect the merchant a great deal more than the planter. The merchant can deal with his exchange month by month, but the planter cannot?—Quite so.

5636. May I ask one or two questions about the Bank of England notes which you say might circulate in India. You said those notes would be more popular?—I think they would be more popular as regards London.

5637. Then that does not apply to India?—That does not apply to India. I think, on the contrary, in India gold would be more popular than notes.

5638. The probability surely is that those notes would be returned home almost immediately after they had arrived in India?—I think the inflow and outflow both of gold and notes would be based almost entirely upon seasons; that is to say, you will have the inflow into India during the spring, the busy season, and the possible outflow during the autumn, the dull season.

5639. Now, as to forgery of notes, the great protection, I take it, to the Bank of England here is these notes being so constantly presented, and it being so easy also in England and in Europe generally to find out whether notes are good or not; but that would hardly apply to India; and would it not therefore be very difficult to keep any notes in circulation in India?—You mean owing to the people fearing forgery.

5640. Yes?—It might be difficult with regard to smaller transactions in the interior. I do not think it would be a difficulty as regards the operations of the export towns.

5641. (*Sir C. Crosthwaite.*) Comparing the condition of Egypt with that of India, has Egypt been borrowing lately?—No, very slightly indeed. I cannot give you absolutely accurate figures, but as far as my

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recollection goes, since the Indemnity Loan of 1887 no considerable loans have been made.

5642. Have the exports ever been insufficient to cover the interest on the foreign debt?—No never. I am taking the question simply as regards the currency. In Egypt, even during the worst periods of bankruptcy, after the Ismail business, the financial difficulties of the country have not caused any currency crisis. We were never forced to export gold to an extent hampering currency. Only the surplus gold not required in Egypt for currency has been exported.

5643. Have you ever been compelled to borrow gold in London to pay your interest?—No; the Government committed bankruptcy, and there were all sorts of financial difficulties between 1876 and 1886; but during all that period, which was one of extreme stress, the currency system worked quite smoothly.

5644. The country has a large surplus of exports over imports?—Yes.

5645. Is there any estimate of the amount of gold that is brought into Egypt yearly by the foreign visitors?—Estimates have been framed, but it is very difficult to get anything at all accurate. I should think if you put it at 1,000,000*l.* a year you are over the figure.

5646. (*Sir D. Barbour.*) Is there any British expenditure in Egypt at present?—There is a small expenditure for the army of occupation, but that is a very small figure.

5647. 200,000*l.* or 300,000*l.*?—I am almost afraid to give the figure, but it is quite insignificant.

5648. Does Egypt or Great Britain pay for the troops?—There have been endless arguments about that. I think, if I recollect rightly, Egypt contributes something; the main burden is borne by England.

5649. The population of Egypt is about 9,000,000 or 10,000,000?—Yes. There was a census made in 1875 which gave a population of only 6,000,000 or 7,000,000. There has been a recent census which gave an enormous increase on that.

5650. The exports are about 14,000,000*l.* sterling?—Yes.

5651. That is about 30*s.* per head?—Yes.

5652. That is very much larger than the exports of India. Taking the population at 300,000,000, 30*s.* per head would give you 450,000,000*l.*, which is six or seven times the actual exports?—I suppose the actual exports is 100,000,000*l.*

5653. Not 100,000,000*l.* sterling; it is nearer 100 crores of rupees?—I should say that the export trade of Egypt bore a much larger proportion to the total trade than is the case in India. I think that is rather an important point.

5654. Because it is a smaller country and produces special products?—Yes, it is really like a market garden. Everything it produces is exported.

5655. Do you know what the rate of wages is in Egypt?—My knowledge is a little out of date with regard to that. I would rather not give you any figure. It varies very much indeed in the Delta and in Upper Egypt.

5656. Would it be something like 1*s.* a day?—I should think less.

5657. 8*d.* or 10*d.*?—Yes. I remember when the Corvée was commuted, and then I think the rate of labour was about 9*d.* or 10*d.*, but I should like to check the figure.

5658. As regards the gold that comes into Egypt and flows out again, I suppose your figures are based upon certain returns?—On the Customs returns, those I think can be taken as certain.

5659. But any small sums that flow out overland or in the pockets of travellers would not appear in the Customs returns?—They would escape observation.

5660. The Indian difficulty in establishing a gold standard is the large amount of coined rupees in existence?—Quite so.

5661. That is really the great difficulty?—That is the great difficulty.

5662. You made certain remarks about the management of the Government balance in India. The Government balances are very high at the busy season when money is tight, and they are low in the slack season when money is easy?—Quite so.

5663. And you thought that the balances might be used so as to relieve the pressure in the busy season?—Yes.

5664. I do not know whether you are aware how the Government balances are distributed, and where they are kept?—I have a general knowledge of the question.

5665. Perhaps you will take from me this rough statement of the matter. There is a certain amount kept with the presidency banks at Calcutta, Madras, and Bombay, but there is also a certain amount kept in what is called the reserve treasuries in Calcutta, Madras, and Bombay, and these reserve treasuries are Government treasuries, and the money kept in them is in the actual possession of the Government. Besides those places where money is kept by Government, there is a very large number of treasuries scattered all over India, many of them in remote parts, where revenue is received and money paid out on Government account, and you will perhaps also take it from me that where one of the presidency banks has a branch at some place in the interior of the country, Government keeps its balances in that branch bank, and not in a separate treasury of its own. Now you can conceive that if Government revenue is largely paid in the busy season it may be paid in in those districts far away from the presidency towns?—Yes.

5666. You will admit that owing to that circumstance there would be a difficulty in making that money available promptly in the presidency towns?—Yes.

5667. Whether that could be overcome or not may be a question for consideration, but at any rate there is a difficulty?—Yes.

5668. So far as Government keeps its balances with the presidency banks all the year round there is no difficulty, but there arises the question of the reserves in the presidency towns—whether they might not be made more largely available in the busy season. I do not know whether you are aware of the origin of the presidency reserves—why the presidency reserves were established?—No.

5669. You know that India is a country where the supply of capital is limited, it is not like a great money market such as London?—Quite so.

5670. If the Government kept all its surplus money in the banks, and one of these periods of stringency came, and at the same time there was a sudden demand from famine or war upon the Government they might have a difficulty in getting the money out of the banks?—Yes.

5671. In point of fact there was a demand of that kind in 1874; and one of the presidency banks that held the balance said, "We can repay you if you like, "but it will cause a financial crisis and panic in the "presidency towns"?—Yes.

5672. Now that would be a difficulty. I do not say an insuperable difficulty, but it would be a difficulty in the way of keeping the whole of the spare money of Government in the presidency banks?—No. I do not see that there are any administrative difficulties that could not be overcome. I have not a sufficient knowledge of the details to go into it, but it appears to me that *primâ facie* you ought not to want a bigger balance in the slack season than in the busy season.

5673. But in a market like India where the Government balance bears such a very large proportion to the private balances, and where there are periods of pressure, if you leave the whole of the Government balance with the banks you might at a time of pressure find yourself without money?—It is a question of proportion and of moderation.

5674. (*Sir J. Muir.*) Did I correctly understand you to say in reply to Sir David Barbour that the normal charge of the troops in Egypt is paid by England?—I believe the normal cost of the troops

is paid by England, that is to say, suppose there are 10,000 troops there, Egypt pays the difference between what they would cost here and the charge entailed by their being kept in Egypt.

5675. Are you aware that the charge for English troops in India is a heavy one on the Government of India?—Quite so.

5676. Then I think you said that the rate of interest in the busy season in Egypt was 9 to 10 per cent., and in the slack season 5 to 6 per cent.?—4 to 5 I think I said in the slack season.

5677. Are you aware that during the last two seasons we have had very heavy rates in India?—Quite so.

5678. Last season the Bank of Bengal rate was 13 per cent.?—Yes.

5679. And the Bank of Bombay rate was the same?—Yes.

5680. But that does not measure the rate that merchants, European amd native, had actually to pay for accommodation. In Bombay, for instance, the native merchants went to the manager with rupee paper in their hands and said, "Here are so many "lakhs of rupees in Government paper, we are badly "in want of money, can you accommodate us." The answer was, "No, we are quite unable to accommodate you." Then they said, "We will pay you interest up to the rate of 18 per cent.," and the manager said, "It is not a question of the rate of interest, I have not the means, I cannot do it." Are you aware of that?—I have heard of it. I quite think it is due to the measures in force.

5681. In fact, to the curtailment of the creation of new rupees to meet the extending population and industries of the country?—No, I do not think that. I think it is due to the particular measures which prevent capital coming into India, preventing also gold going out to India as currency.

5682. Have you in Egypt a case of any industry where a very large amount of English capital has been sunk, say 30 or 35 millions in the soil, in the land?—No.

5683. Are you aware that we have such cases in India and Ceylon?—Quite so.

5684. We have in the tea industry about 30 or 35 millions so sunk. Are you aware that the tea growers, the owners of these tea estates, the Englishmen and Scotchmen and Irishmen who have sunk this 30 or 35 millions, feel that they have a heavy grievance in respect of this 1*s.* 4*d.* rate being fixed?—Yes, I am aware of that.

5685. They think it interferes largely with the returns which they might reasonably expect from their property in which they have sunk this 30 or 35 millions?—Yes.

5686. Is it your opinion that those who are interested in the prosperity of a country should do what they can to avoid any measures that would tend to keep back or decrease the exports of that country?—You have to survey the question in its entirety. You must take the various interests concerned in a country and draw the balance between them.

5687. But, generally speaking, is it your opinion that it is desirable that the exports of a country should exceed its imports so that the balance of trade shall be in favour of the country?—I am not a very great believer in the balance of trade theory. It does not affect the currency, I think, nearly so much as people imagine. In reality a country will not import more than it can pay for.

5688. Does it not very much affect the rate of exchange?—I think much less than is usually supposed.

5689. But it must to some extent, that is to say, it makes a difference whether a country has a margin of 10 millions, and that it has to pay or receive from abroad 10 millions of money. Does not that affect the exchange?—Not much, I think. I think the permanent importance of that on exchange is enormously exaggerated, although it may cause a temporary effect. Imports and exports operate on a different plane from currency.

5690. Are you of opinion that the proper ratio between silver and gold is an important question to the trade of India?—That I have no very clear opinion upon.

5691. You indicated that although it had not been definitely fixed yet that 1*s.* 4*d.* should be the rate, still practically that is the rate we are working at at present in India?—Quite so.

5692. But if those interested in trade and commerce and other matters in India were of opinion that this was seriously interfering with their operations, do not you think that the question should be reconsidered?—My view is that if it is proposed to make a change from 1*s.* 4*d.*, the onus of proof is very clearly on those who desire a change.

5693. But proofs being adduced to that effect, then would you agree that the matter ought to be reconsidered?—The matter might be reconsidered.

5694. (*Sir F. Mowatt.*) I think I understood from you that the silver currency in Egypt amounted to about 2 millions sterling, and gold to about 25 millions?—You may put it at 1½ millions of silver; it is not as much as 2 millions. As regards the gold currency, 25 millions is Haupt's figure, but it depends what you mean by gold currency, whether you mean the gold actually in circulation or whether you include gold in hoard.

5695. I am including gold in hoard. I suppose almost all wages throughout Egypt are paid either in silver or in small nickel currency?—I think a large portion of them, yes, but the smallest native understands gold there.

5696. But I am afraid he does not earn it?—He does not earn it sufficiently.

5697. Is it found that such a small currency as two millions is sufficient to carry on the whole wage-earning commerce of Egypt?—Yes; the Government would be delighted to issue more silver currency, but it is found sufficient. There is no sort of objection on the part of the Government to issue more silver; in fact, when the currency reform was carried out, we thought that the amount of silver to be absorbed would be much larger, and we coined more silver than was subsequently found to be required, and a certain amount actually had to be melted.

5698. I suppose the larger transactions are carried out either in gold or paper?—Almost entirely in gold.

5699. When the Austrian dollars were demonetised, what became of the silver?—It was exported. The way in which they were driven out of the country, so to speak, was this: We will take the old Maria Theresa trade dollar, which was taken then by the Government at 17 piastres. The Government said, "We are now in July; from September we will take "it at 16 piastres; from December 15; from next "March 14." The export value of the trade dollar, we will say, was 15½ piastres, so that directly it had a lower value in Egypt all the dollars flowed out. It was found that the Government, by fixing the figure at which they would make the rate in various months, had an absolute command of the coins, because, by putting them up or putting them down half a piastre, they could attract or expel them as they liked.

5700. I think you said that for a sound investment foreign capital could be always obtained in Egypt now?—Quite so. I think there is no difficulty of that kind.

5701. Do you attribute that in part to the confidence (which is not felt in India) that the money needed for investment can be withdrawn practically at the same rate of exchange at which it went in?—Very largely.

5702. (*Chairman.*) Am I right in understanding that your proposal with reference to Bank of England notes simply means that they are a convenient representative of gold?—Precisely.

5703. Knowing that they are always convertible into gold they will be taken as gold?—Precisely, and

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the objections urged against gold, as to the probability of gold being turned into hoard and replacing silver, cannot be urged with the same force against bank notes.

5704. Do you think it is possible to continue the present state of things in India?—I am in favour of the continuance of the present state of things with slight modifications or slight attenuations and corrections.

5705. You do not propose the re-opening of the mints?—Distinctly not.

5706. You think that would be calamitous to India?—I think it would be disastrous.

5707. (*Mr. Campbell.*) Would you not consider that tight money was an evidence that for trade requirements the currency was not redundant?—I should certainly, but I think that the stringency of money in India during the last two years is due not only to the closure of the mints but to certain bad applications of the system. I think you can keep the mints closed and avoid the stringency.

5708. You rather measure the redundancy of currency by the rate of exchange?—Certainly.

5709. How do you arrive at the rate of exchange with regard to which money is redundant or not? Is it a fixed rate that you have in your own mind?—No, I assume a rate of 1*s.* 4*d.* or 1*s.* 3*d.* or whatever you like, and I say that when exchange is below the rate it is redundant: supposing you take 1*s.* 4*d.* as the rate, then when exchange is at 1*s.* 3½*d.*, currency at that moment is redundant as regards 1*s.* 4*d.*

5710. To continue that state of things is it not rather to make trade conform to an arbitrary rate than to allow the trade to determine what the rate shall be?—The selection of the ratio of 1*s.* 4*d.* or 1*s.* 3*d.* is purely arbitrary, and is, I submit, a question of convenience. You can choose the rate which suits best.

5711. I think you suggested the removal of the redundancy of the currency to the extent of several crores of rupees?—Yes, at a moment when the rate of exchange is evidence of redundancy.

5712. Are you aware that there is a natural contraction of the rupee currency always going on?—There is a natural absorption of rupees from natural causes, yes.

5713. Do not you think it would be better to trust to that acting sufficiently in course of time rather than to adopt any artificial withdrawal of the currency?—I am only in favour of the withdrawal of rupees with a view to prevent the extreme fluctuations which now occur, not in order to screw exchange up. I consider fluctuations a great bar to the introduction of new capital into India. I am not in favour of withdrawing rupees with the intention of forcing up the exchange, but merely with the view of correcting extreme oscillations by bringing in a moderating factor during the dull season. I want to make that very clear.

5714. (*Mr. Le Marchant.*) You made a very important remark comparing Egypt and India, in respect of their relative proportions of home and foreign trade. What conclusion would you deduce from that to as to the amount of gold that would have to come in and go out?—I think the argument was this: A member of the Committee said, "Your cotton export is 9,000,000; you require an "import of 3,000,000 to enable you to work it; "the exports from India are Rx. 114,000,000; there- "fore you would want a season import of one third "of that to enable you to work your import trade; "therefore you would want 27,000,000*l.* of gold im- "ported during the busy season, which of course "would be an extremely inconvenient thing to the "world in general." I said the cases are not analogous, because in India the interior trade, which is more constant, bears a much larger proportion to the whole trade than it does in Egypt, and the result is that you would require not 27,000,000*l.* but something very much smaller.

5715. (*Chairman.*) Will you be so good as to sum up your proposals?—I would do four things:—(1) make the sovereign and Bank of England note legal tender in India; (2) alter the system of Government balances so as to increase the available supply of rupees for trade purposes during the busy season; (3) reduce the mint value of the sovereign to 14½ rupees, as compared with the present mint rate of 15 rupees, but maintain the treasury or taxpaying value of the sovereign at 15 rupees; (4) limit the proposal of the Government of India for the withdrawal of rupees to periods of exchange at or below 1*s.* 3½*d.*

(The witness withdrew.)

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Sir ANTONY PATRICK MACDONNELL, G.C.S.I., called and examined.

5716. (*Chairman.*) Will you state the official posts you have held?—I am now Lieutenant-Governor of the North-West Provinces, and Chief Commissioner of Oudh. I was a member of the Viceroy's Council from the end of 1893 till April 1895. Before that I acted as Lieutenant-Governor of Bengal, and before that I had been Chief Commissioner of the Central Provinces. For a very brief period I officiated as Chief Commissioner of Burmah; I was Secretary to the Government of India in the Home Department from 1886 to 1890. Before that, I was Secretary to the Government of Bengal in the Revenue Department. Before that, for about 15 years, I had served as a district officer in various districts.

5717. How long have you been in India?—Over 32 years, with intervals of about four years' leave of absence.

5718. You are aware of the state of things which led to the closing of the mints?—Generally, yes.

5719. That was in 1893. Where were you then?—I was then, I think, in the Central Provinces.

5720. Can you tell the Committee generally what was the state of things in India before the closing of the mints, and what has happened since the closing of the mints?—I wish to explain that I do not claim to be a currency expert, and that I have been invited to give evidence from the administrative point of view as to the effect of the closing of the mints upon the state of the country generally.

5721. It is from that point of view that we want to hear you?—The first thing I would beg to call your attention to is the course of prices in the North-West Provinces, both before the closing of the mints and after the closing of the mints. When I first went to India, in the first five years of the sixties, prices ranged low; from 1860 to 1873, about the time when the currency depreciated, there was considerable oscillation in prices; from 1873 until 1885 there was less oscillation.

5722. Was the tendency up or down?—The tendency was generally upwards but the variations were marked. Prices steadied from 1885 till the mints were closed in 1893. There was a great stability in prices, with a tendency upwards. From 1893 until now, or until the middle of last year, there was an extraordinary rise; prices reached in 1897 a higher level than they had ever reached before during my experience of India. From that time till now they have fallen, but when I left India they had not fallen to the point from which they started at the time when the mints were closed, from which I infer that the closure of the mints has had no appreciable effect on the course of prices.

5723. Prices, do you mean, of food?—I am speaking of food grains alone. I should have expected, and the theory would be, that the prices of food grains would have fallen; that the rupee would purchase a larger amount of food grain than it did before;

but the rupee has purchased, and continues to purchase, a smaller amount of food grain than it did before, from which I infer that so far as prices are concerned the closure of the mints has had no effect up to this year upon rural economy in my province.

5724. The people have been neither the better nor the worse for it?—Some people have been much better; people who had crops have enormously gained.

5725. But I mean the people who are purchasing?—The people who are purchasing have had no advantage.

5726. The people who are selling have had an advantage?—A great advantage.

5727. What is the position at the present moment?—The present position is this, when I left India prices had become arrested at a point considerably higher than the point from which they started in 1893 when the mints were closed.

5728. Should not you have expected the effect of the closure to have shown itself in the establishment of lower level prices?—It should have been so according to the theory, but the theoretical effect has been entirely obscured by the series of adverse seasons through which the province has passed. Beginning with 1893, we have had a series of four bad seasons culminating in 1897, in a famine all over the province. I have asked myself how it is that prices have not fallen yet. I attribute it in a measure to the fact that the people are replenishing their stores, which had been depleted by the famine; and consequently a less supply of grain is thrown on the market than would otherwise have been the case.

5729. (*Sir F. Mowatt.*) You are referring to a depletion of the stores of grain?—Yes; but I am also disposed to think that prices have reached a level under which I do not expect them very much to fall, owing to the great development of railway communication with the seaboard, and the foreign demand which has sprung up. That is the opinion of grain merchants with whom I have consulted. They do not look forward to a fall in the price of food grains in India much below what they have already reached, which is a higher point than when the mints were closed.

5730. (*Chairman.*) Can you tell us what the effect has been on wages?—Wages in India are of two sorts. The wage of agricultural labour is mostly paid in grain. The share paid is the customary wage; but there has been in the towns and for artizan labour a distinct rise.

5731. Since the closure of the mints?—I cannot say since the closure of the mints, but the rise is going on.

5732. Since the depreciation of the currency?—Certainly.

5733. I suppose you would take the period of depreciation of the currency as commencing after the demonetisation of silver by Germany?—The effect of the depreciation of the currency has been seriously felt in India, both on prices and on wages, but, in my opinion, it was not very perceptible before 1885. Since 1885 it has become, I think, more marked.

5734. Now have you found, as a consequence of the closure of the mints, that there has been any difficulty in the payment of revenue to the State, or of rent to the landowners?—None whatever. Since the mints were closed in 1893 there have been very adverse seasons, and the Government has been naturally lenient in its collection of land revenue, and forward in suspending the land revenue wherever the pressure was remarkable. The law in the North-West Provinces is this, that where land revenue is remitted, a corresponding remission of twice the amount has to be made in the rents. During the famine of 1897 the Government suspended 1½ crores of land revenue out of 6 crores.

5735. Twenty-five per cent.?—25 per cent., and then when the famine was over, and the question of recovering that money came up, it was determined to remit or finally write off 40 per cent. of these remissions on the understanding that the landlords would make a similar remission to their tenants—to the ryots. In the North-West Provinces the land revenue system contemplates that the landlords will remit to their tenants double the amount of any remission which the Government makes to them, the landlords.

5736. Perhaps, for the convenience of members of the Committee who are not acquainted with the subject, you will just explain what is the principle on which the land revenue is assessed. First of all we start with the theory that in India the land belongs to the Crown?—Yes. There are two kinds of assessment of land revenue. There is what is called the ryotwari assessment, in which the Crown deals direct with the actual tenant, and there is the zemindari or talukdari assessment, in which the Crown deals with the landlord or middleman. In the North-West Provinces and Oudh the first system, the ryotwari system, scarcely exists. Our principle has been based on the zemindari or talukdari system. The system on which we proceed is that of assessing the actual assets.

5737. You are now dealing outside the permanent settlement of Bengal?—Yes. Some parts of the North-West Provinces are under the permanent settlement made by Lord Cornwallis, but the larger part of the province is under settlements made every 30 years. We proceed on the principle of assessing on the actual assets. We call on the landlords to produce their rent rolls. One of the first duties of the settlement officer is to examine the rent roll of each village, with the view of determining whether they are what we call stable; that is, whether the rent is such as can be paid by the tenant one year with another without difficulty. Whenever we find a rent roll which we consider unstable, or excessive, we reduce the rental for the purpose of assessment as between the landlord and the Government; we make no interference as between the landlord and his tenant. Having got what we call a stable rental, that is, a rental which a tenant can pay in ordinary years without difficulty, we then proceed to see whether any portion of that rental has been acquired by the expenditure of capital by the landlord or the tenant. If we find that to be the case, we also exclude that portion of the income from assessment for a certain period until the person who has expended money on improvements recoups himself. We go still further, and make still further reductions from this rental when we find that any considerable portion of the property is owned by the landlord and cultivated by the landlord himself. We find by experience that a landlord cultivating with hired labour is not able to make so much out of the soil as a cultivator cultivating his own fields. Having thus arrived at a sum which we consider the fair assets, as much as can be recovered without difficulty one year with another, we then say that Government is entitled to take 50 per cent. of such assets. But although the Government's theoretic share is 50 per cent. we do not, as a rule, take so much; we have regard to the amount of the enhancement which an assessment at a 50 per cent. rate would impose on the landlord. If we found that the enhancement imposed was very high, or that the man's circumstances were poor, and that a 50 per cent. rate would seriously cripple him, we reduce the proportion that we take, and take 45 per cent. or something like that. But the main point to be considered is that we do not, for the purpose of assessing the Government revenue, make a basis of our own; we proceed on the basis of actual facts, which have been brought into existence by the operation of the ordinary law of rent, and the arrangement which the landlord has made with his own tenant. We reject, as I say, all excessive rentals, and we adopt for the purposes of assessment a rental which is considered to be fair.

5738. What proportion does that rental bear to the gross value of the produce?—That is variable.

5739. What is your maximum and minimum?—I should say that the fair average share of the gross production taken by the landlords in rent would be

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about 20 per cent., and I think, as a rule, the Government takes less than half of that. I should say the Government assessment of land revenue in the North-West Provinces is represented by about 8 per cent. of the gross produce.

5740. And the landlord would get about 12 per cent. ?—The landlord would get the difference between the 8 per cent. and the 20 per cent.

5741. The cultivator actually gets 80 per cent. ?—Yes. I may say that whenever rents are paid in kind, as they often are on inferior soils, then the basis of the Government assessment is different. Grain rents absorb in some parts one-third, and in some parts two-fifths of the gross produce; that is to say, the landlord takes in kind 33 per cent. of the gross production of the soil; when that is commuted into money rent, you get it down pretty much to the value of 20 per cent. of the produce.

5742. In fact, to put it into English, what the Government receives is the ground rent. Now you say that since the closure of the mints the Government have had no difficulty in recovering their revenue, apart from thefamine ?—None whatever. I have stated that we expended during the famine 1½ crores of rupees, and after the famine we remitted 60 lakhs of rupees out of the crore and a half. But before I left India many landlords were coming to me and saying that they did not want any remission and would not take remissions. They found that the ryots were so well able to pay their rents and were recovering their position with so little difficulty that they refused to take remissions.

5743. You would not allow a remission to your tenant unless he made a corresponding remission to his tenant ?—That is the principle upon which we went.

5744. What was the range of agricultural prices, taking it generally, when the last settlement in the North-West Provinces was fixed ?—The prices of agricultural produce were very much higher, 50 or 100 per cent. higher than they are now. That is to say, the ryot now gets a rupee by selling 32 or 35 lbs. of grain while 30 years ago, when the settlements were made, he had to sell about 60 lbs. of grain to procure a rupee.

5745. To that extent then the tenant gains ?—Yes. With the landlord. The landlord has intercepted some of the grain in the shape of increased rent.

5746. Do you think that fixing the exchange value of the rupee at 1*s.* 4*d.* will generally have an injurious effect, or a beneficial effect, on Indian agriculture ?—I do not see how it can have an injurious effect on Indian agriculture generally.

5747. Why not ?—You have now asked me a question which is more of a speculative character.

5748. We want your experience to bear upon it ?—As far as I can say, a fixation of a rupee at 1*s.* 4*d.* can only affect the tenants through the operation of prices or wages. The movement of prices and wages is very slow in India, very slow and very irregular. We made an exhaustive inquiry in the North-West Provinces in 1883-84, which showed that rents followed prices only at long intervals, and very gradually.

5749. Then you mean the rising of the prices is only very slowly followed by an increase of rent ?—Very slowly followed by an increase of rent, or by an increase of wages, and if any evil were to follow, it could very easily be anticipated and remedied before any injurious consequences could follow; but, so far as my experience goes, I have not been able to perceive that any injurious effect upon Indian agriculture has been produced by this exchange. The extension of cultivation, or a substitution of more valuable for less valuable crops in the provinces with which I am connected, are very largely connected with considerations such as the pressure of population and of internal demand, and I do not see what connection exchange would have with these.

5750. Has there been any stringency in the currency in your districts ?—I have caused inquiries to be made throughout the North-West Provinces and Oudh, as to the effect of the closing of the mints upon the sufficiency of the currency for ordinary circulation, and these inquiries place it, in my opinion, beyond doubt that the currency at the present time in the North-West Provinces is amply sufficient for all purposes of commercial or industrial operations.

5751. I mean the internal trade of the country ?—The internal trade of the country.

5752. Would you take the North-West Provinces as generally typical of the agricultural portions of India ?—I should say it is a very good example. I do not see how the facts could have been otherwise, for these reasons. During the famine we spent an enormous amount of money in relieving distress. The pressure of famine caused a large quantity of hoarded rupees to come into circulation, and the closure of the mints prevented what was always the great source of drain on the currency, namely, the melting down of rupees for silver ornaments. You have had all these three sources re-inforcing the currency during the last few years. At all events it is a matter of fact, so far as careful inquiries have enabled me to say, that the currency is absolutely sufficient for all purposes.

5753. Have you anything to say about the rates paid up country for borrowed money ?—There are two sorts of loan transactions up country. There is the loan by the bunneah or village money lender, who deals with his own money alone, and there is the loan by the mahajan, or banker, who deals with other people's money as well as with his own. Now the bunneah's business goes on at present, and since the marvellous recovery of the country from the famine, pretty much as usual. The bunneah finances the cultivators. He largely, as a rule, deals in grain, and he makes advances in grain, and he gets return in grain. Seeing that the price of grain has risen so greatly, he has been, perhaps, a little more lenient than formerly in the rate of interest he charges on his loans of grain.

5754. (*Sir F. Mowatt*): What do you mean by loans of grain ?—Suppose at sowing time he advances a man two maunds of grain on the understanding that he will get back a similar weight at the ensuing harvest plus his interest.

5755. His interest being paid in grain ?—Yes.

5756. There is no question of currency there ?—There is no question of currency.

5757. The rupee does not come into it ?—No, but the rupee does come in where he makes advances of money to people for the purchase of better seed, for the purchase of plough-cattle, and other such agricultural uses. There, I think, the same rates of interest are paid now as formerly. The only instances brought to my notice where there have been different rates of interest have been in those cases of money-lenders who advance upon silver ornaments. The silver ornaments have depreciated in value, and these money-lenders have been unable to recover their capital, and consequently they have had a less capital to deal with, and their rates of interest rose. But, that is not a matter of large consequence, and has not happened as a rule.

5758. (*Sir J. Muir.*) To what extent has it happened ?—To a comparatively small extent.

5759. (*Chairman.*) Now, what do you say about the banker, the mahajan, who lends other people's money ?—It seems to me that with the mahajan who lends other people's money the question of the general credit of the country comes in, and the state of trade, and the position of the country generally, whether credit is good or bad, and whether the export trade has been good or bad. I may say that one instance came to my notice of one of the largest bankers in the north of India. Before he failed, or when he was about to fail, he applied to me for assistance. It is entirely outside the province of the Government to assist a man in that position, but this

gentleman or his family had deserved so well of the Government of India, politically, that I thought it desirable to see what could be done. I applied to Sir James Westland to ascertain whether the Government could help him. Sir James Westland would have helped him if a bank at one of the great commercial centres would have taken up the business. Sir James Westland would have advanced, say 15 lakhs of rupees to enable this banker to tide over his difficulties if a bank at one of the commercial centres had undertaken to manage the estate. Sir James Westland would have made the advance to the bank, and the bank would have made their own terms with the native firm. The bank, however, did not see that the security was good enough, and nothing was done. Then the gentleman came to me, and asked me to take his estate under the Court of Wards, and by that means enable him to realise his assets to greater advantage than would be the case under forced sales. He submitted a statement of his assets and liabilities, and I there saw that although the value of his assets was much more than his liabilities, he had so locked up his capital in land which could not be realised at once that he was practically insolvent for the time being.

5760. That sometimes happens in this country?—He applied to the banks in the presidency towns to assist him, but they had no money; as I understand they had sent home their money (I am not now speaking from from personal knowledge); there was no loanable capital in Calcutta of which to make advances, and the consequence was that this firm had to fail.

5761. Was this at the time that the money market was so stringent?—This was the other day—last March or April.

5762. What was the rate of exchange then?—12 per cent., It hink.

5763. The banks were not in a position to render accommodation at that price, because tlley had sent their money home?—That is what he told me. That could be verified, I suppose, from other sources.

5764. You have nothing but the man's own statement?—No. Well, I have the statement of the Finance Minister that the bank had no money to advance.

5765. Then what have you to say about the silver ornaments? Has it been the custom in Indian famines for the people to bring out their ornaments and have them coined into rupees?—That had been the custom before the mints were closed.

5766. Was the deprivation of that custom an injury to the people?—As you know, the famine in the North-West Provinces was more severe than in any other part of India, and we were naturally awake to all matters of that description that might be pressing on the people, but we did not find that the question of silver ornaments came to our notice in a prominent way.

5767. You had no complaint of people who wanted to get food and were unable to get it because they could not dispose of their ornaments and coin them into rupees?—They did, to some extent, get rid of their ornaments, but at a lower price. They pawned their ornaments at a lower price, but the people who came on our relief works were not the class of people, as a rule, who had silver ornaments; they were of the labouring class; and the labouring class do not, as a rule, have silver ornaments. The cultivating classes did to a considerable extent sell their silver ornaments and pawn their silver ornaments, and, no doubt, at a less value than the rupees which had been melted down to make them into ornaments.

5768. There was that loss then?—There was that loss.

5769. Do you think it was a loss very widely felt?—That is a matter on which it is impossible to speak with precision. My own opinion is that it is a mistake to think that when the Indian cultivator has a rupee to spare he immediately has them melted down into ornaments. Suppose a man has saved 100 rupees I should say he stores or hides 75 out of his 100 rupees, and 25 he will probably melt down into ornaments. The proportion will be according to circumstances; he may have only to make presents to the women of his family, or he may have to make marriage presents on the weddings of his daughters; but I think it is a great mistake to hold that the greater proportion of the wealth of the agricultural population is locked up in silver ornaments. There is a limit to the amount of silver ornaments that a native can use.

5770. Let us follow up this illustration of yours of a man who has 100 rupees and hoards 75 out of the 100, putting the other 25 into ornaments; you say the purchasing power of the rupee has not varied?—The purchasing power of the rupee has gone down since the closing of the mints. You get less grain now than you would have got before the mints were closed. That is due, I suppose, to the famine. It is not in accordance with the theory, and that bears out what I say that the circumstances in the North-West Provinces have quite obscured the effect of the theory.

5771. That would be entirely due to the famine?—Yes, I suppose so.

5772. But taking the normal state of things, according to your experience in India outside the famine, do you think that the purchasing power of the rupee has been much affected during the last 10 years?—No.

5773. During those 10 years the rate of exchange in gold value, has varied very considerably?—Yes.

5774. You do not think that the purchasing power of the rupee has varied?—Apart from the dislocation caused by the famine and bad seasons, the purchasing power of the rupee has remained pretty steady. There have been local variations of course, owing to scarcity and so on; but apart from these the purchasing power of the rupee has remained steady from the middle of 1886 to the middle of 1893.

5775. During these periods the exchange has been as high as 1*s.* 9*d.*?—In 1886 it was 1*s.* 6*d.*

5776. And then it went down as low as 1*s.* 1*d.*?—Yes, that was in 1894.

5777. You say that that has had no appreciable effect on the purchasing power of the rupee?—No; in the 10 years from 1885 to 1895 it has had but very little influence.

5778. Suppose, now, that the mints were re-opened and the exchange value of the rupee fell to, say, 1*s.*, would that at all affect your revenue?—Of course it would affect us in this way, that more revenue would have to be raised to meet the home charges.

5779. You mean by increased taxation?—Yes.

5780. Will you give us your opinion as to the economic effect of attempting to increase the taxation of India?—I suppose if the rupee fell to 1*s.* you would have, in order to make both ends meet, to raise 10 or 12 crores of rupees additional taxation, and, I suppose, from my province I should be asked to raise two crores or thereabouts. I say that it would be impossible to do that without producing such political discontent as would be an extreme cause of danger.

5781. Then, in other words, you think that if the rate of exchange were lowered to the bullion value of the rupee, that would involve such discontent as would amount to a grave political danger?—I do not think it would be possible. You could not do it without increasing the army and the police, and taking compulsory measures.

5782. And if you had to increase the army that would mean increasing the amount of taxation still further?—Yes.

5783. (*Sir F. Mowatt*). You say with reference to the hoarding of silver, that more of it is hoarded in rupees than is used in ornaments?—That is my impression, I say it is a thing of which there is no means of judging precisely.

5784. You say that out of 100 rupees a man will hoard 75 rupees and put 25 into ornaments. Then if the rupees appreciate and the 25 per cent. in silver ornaments depreciate, the man's hoard would be of

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greater value than when he put the silver into hoard?—Yes.

5785. You said as regards the ornaments, they would be sold during famine times at a less price?—Yes.

5786. That means a price less than when they were bought?—It is in this way. The ornament was made, we will say, at a time when the owner would get 12 annas per tola (a rupee's weight). Now the man can get, say, only eight annas per tola for his own ornament.

5787. That depends upon when he bought his 12 anna tola; he might even have bought it at a time when it was lower than it is now, and if so he would have no loss at all would he?—That is so.

5788. (*Sir J. Muir.*) The Chairman asked you, if the rupee fell from 1*s.* 4*d.* to 1*s.*, what effect that would have, and then suppose it fell still further to the intrinsic value of silver, what do you estimate the intrinsic value of silver to be now in the rupee?—I suppose it is something like 10*d.*

5789. I think it is something like 10*d.*, but although there are those who are opposed to the fixing of the rupee of 1*s.* 4*d.*, do you hear of any who wish that the intrinsic value of the rupee should be fixed?—Do you mean by imposing a seignorage or an import duty?

5790. You know that the Chamber of Commerce in Calcutta are strongly opposed to the views of the Government of India?—I know very little about the views of the Chamber of Commerce in Calcutta. I may say I know very little about the discussions that have been going on in commercial circles.

5791. I hold in my hand a letter addressed to Mr. Chalmers our secretary (and through him of course to the members of the Committee) from the Madras Chamber of Commerce. I happen to know more or less of the views of the merchants of Bombay, Calcutta, and Madras as well as produce-growers and others, and I know that their idea is that the rate is too high at 1*s.* 4*d.*, and they think the question should be considered on the basis of 1*s.* 3*d.* or 1*s.* 2*d.*, but I do not hear any one recommending a less rate than 1*s.* 2*d.* Now, suppose after a full inquiry it was found that 1*s.* 4*d.* was too high, and that 1*s.* 3*d.* should be the rate. Do you see anything seriously in the way of making the rate 1*s.* 3*d.*?—The farther you diverge from 1*s.* 4*d.* the more taxation you will have to impose in order to meet the demand on the Government of India. I consider that every divergence in that way is a danger. I myself would be glad to see the exchange raised above 1*s.* 4*d.*, and I think the fixation in 1893 at a maximum rate of 1*s.* 4*d.* bears very hardly on the Government of India, and shuts it out from the advantages which it might obtain from these large gold discoveries throughout the world.

5792. Are you not looking mainly to the interests of the Government of India, and overlooking those of the merchants and others who are interested in the soil, such as the tea-planter, the coffee-planter, and the indigo-planter?—No. I have always thought very carefully, as far as my lights go, over these interests. I consider that the political danger of having to raise extra taxation by novel methods in India entirely preponderates over the views which you advocate, satisfied as I am that 1*s.* 4*d.*, or even a higher exchange, will have no injurious effect on the great agricultural interests of the country, namely, the production of food-grains, cereals, and so on.

5793. Are you aware that a very large sum of money has been invested——?—I have heard you say so.

5794. I want to know whether you know it of your own knowledge. Do you know that a very large sum of money has been invested in Bengal and in Assam and in the Dooars and in Darjeeling and other parts of India in these industries? It is stated that in the Indian tea estates the capital invested is about 12 millions, and that the industry employs about one million of the natives of India. Is not that a large industry?—Undoubtedly.

5795. Suppose you had invested a certain amount of your own money in one or two of these tea estates, and by the arbitrary action of the Government of India your profits were materially reduced, would not you think that a hardship?—If I were the individual I might think it a hardship, but if I were in a position where I had to balance against these special interests the question of maintaining the empire, I would say that the smaller interests ought to give way. The very existence of these industries depends on the goodwill and the contentment of the people of India; and I say that if taxation to the extent of eight crores of rupees, not to say 10 or 12, were imposed, we should not be able to hold India to-morrow without constant danger of tumults and insurrections. I think I am bound to say that I have had exceptional opportunities of knowing what native feeling is as regards the imposition of further taxation on the country.

5796. (*Chairman.*) I presume what you mean to put to us is this, that any great political disturbance would cause a very great injury to all these industries, if not destroy them altogether?—Yes. Of course I am aware that the effect of the closure of the mints might possibly tend to increase taxation, because although the number of coins paid in is the same, nevertheless the coin might represent more commodities. But this effect is produced unconsciously; the people are conscious of no additional burden. I do not see anything in the economic condition of India to lead me to believe that this burden, when it comes, cannot be borne, but I do see in the extreme dislike of the people to any new form of taxation of which they will be conscious, and which will be novel, a serious political danger.

5797. (*Sir D. Barbour.*) Did I understand you to say that the movements of prices are slow in India?—The movements of prices between 1885 and 1893—I was referring to the prices of food grains—were slow, they were steady.

5798. You mean there was no great change?—There was no great change.

5799. But as a rule the prices of food grains move up and down very rapidly in accordance with the seasons?—Yes; but still over a series of years there is a pretty fair stability, especially since the railway system has been extended.

The witness withdrew.

Adjourned.

TWELFTH DAY.

Tuesday, July 5th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair)

The LORD BALFOUR OF BURLEIGH.	SIR ALFRED DENT, K.C.M.G.
SIR JOHN MUIR, Bart.	MR. ROBERT CAMPBELL.
SIR FRANCIS MOWATT, K.C.B.	MR. EVERARD HAMBRO.
SIR DAVID BARBOUR, K.C.S.I.	MR. W. H. HOLLAND.
SIR CHARLES CROSTHWAITE, K.C.S.I.	MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

SIR ANTONY P. MACDONNELL, G.C.S.I., recalled and further examined.

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5800. (*Sir C. Crosthwaite.*) I wish to revert to the question whether there is any danger in fixing the rupee at 1*s.* 4*d.* with reference to the settlement of the land revenue. I think you have had considerable opportunities of knowing all the details of settlement work in the North-West Provinces?—Yes.

5801. And also in the Central Provinces?—Yes.

5802. Were settlements going on when you were Chief Commissioner?—Yes.

5803. And I think I am right in saying that every principle of the work, and almost every detail of the work, has come under your own eyes in both Provinces?—That is so. Perhaps I may be permitted to lay before the Committee a statement showing the manner in which I control the revenue assessments. From this form, which I now produce, you will see that for each estate, an estate containing probably on an average about 1,000 acres, I make it a point to examine the details of the matter; and in order to enable me to do that, the estates numbering many thousands, I have found it desirable to cause a form to be prepared showing the principal statistics upon which the revenue assessments are based, from which you will see that all the details that are referred to come under my personal supervision and control.

5804. Can you tell me the date of the most recent settlements?—They are now going on. I think the week before I left India I sanctioned assessments both in the North-West Provinces and in Oudh.

5805. With regard to the most recent of those, can you say that 1*s.* 4*d.*, as the sterling value of the rupee, will not cause any trouble?—I am quite certain on the point, because so great has been the increase in the assets that our difficulty is, in most cases, to know how moderate our demands should be. For instance, in the Baraich district of Oudh, the enhancements, based on the principles which I explained to the Committee yesterday, would enable us to take an enhancement of 100 per cent. on the previous assessment; but the enhancements which we take are very much less than that.

5806. What do you say has been the average increase?—I should say the average increase throughout the whole of Oudh will be 25 or 30 per cent.

5807. Whereas you could have taken 100 per cent.?—We could, in certain cases, have taken 100 per cent.

5808. Has this increase been due to a rise in prices, or an increase of cultivation, or to both?—To both, but in most places to a rise in prices. In certain districts which had not been fully developed 30 years ago, when the settlement was made, the enhancement was very largely due to the increase of cultivation; but in the districts that had been longer settled it is very largely due to the increase of rents, which have followed on the rise of prices.

5809. Was that the case in the North-West Provinces also?—Yes, partly due to rise in prices, and partly to extension of cultivation. The rise of prices in the Central Provinces we used to find was considerably over 60 per cent.

5810. In the older and more cultivated districts of the North-West Provinces I suppose there are districts in which the cultivation cannot be increased, because it is already up to the maximum?—That is so.

5811. There no similar increase of revenue is possible?—No. I should say in those districts 20 per cent. would be the maximum. In some instances we have been satisfied with 10 per cent.

5812. Has this great increase of prices been due, do you think, to a fall in the sterling value of the rupee?—I do not think so; not before 1886. I could not trace the operation of the fall in the sterling value of the rupee before 1886.

5813. It is due more to the equalisation of prices caused by improved railway communication, and improved communication with the ports?—Yes, and the opening of the Suez Canal has had very largely to do with it.

5814. So that in some districts, where grain was formerly very cheap, it has become comparatively dear?—That is so. In my own experience I know certain districts in which grain used to sell for one rupee a maund; and now, prices, owing to the construction of railways, have been almost equalised in those places with what they are in the great central markets.

5815. Rice has to be stored in very large quantities because it cannot be sold?—That was the case in the eastern parts of the Central Provinces; also in the northern parts of Behar, bordering on Nepaul; what you say is quite true of the eastern parts of the Central Provinces.

5816. Since the railways have been made that has all been changed?—That has all been changed. The only way of getting out grain from those places was by Beparis and pack bullocks. That trade has been now almost completely destroyed by the construction of railways.

5817. Do you think that the same cause, namely, the opening up of land-locked provinces, or parts of provinces, has prevented the great change in the value

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of the rupee, which would otherwise have taken place from the great increase of mintage; I mean by causing more demand for silver?—Unquestionably.

5818. And by bringing silver into circulation where before it was almost unknown?—That is true.

5819. There were parts of the Central Provinces, I dare say you know, where silver currency was almost unknown previous to the construction of railways?—Yes.

5820. Now the silver has flowed into those places?—Yes, there is no place in the provinces under my control in which you cannot find silver in use.

5821. So that in that way the effect of the fall of the gold value of silver was counteracted very considerably, perhaps?—Yes.

5822. I mean its effect on prices?—Yes.

5823. Then your conclusion is that, so far as the land revenue settlements go, we are quite safe in maintaining the value of the rupee at 1*s.* 4*d.*?—Quite safe. I would draw a distinction between the settlements formerly made, which are still running, and the settlements now being revised.

5824. What is the distinction you draw?—In the former case the settlements, as I said yesterday, were made at a time when a rupee would buy a very large quantity of grain. Now the rupee will buy a much smaller portion of grain, and consequently the pressure of the revenue on those estates was very much heavier when the Government contracted with the settlement-holders than it is now. In these cases the settlement-holders have greatly benefited at the Government's expense, and a sixteen-penny rupee only puts a check to the progressively-increasing loss Government has sustained. In the settlements now being made, regard is had to the possibility of a rise in the value of the rupee, because whenever the enhancement is considerable, say over 30 per cent., we do not take the entire enhancement at once; we take it in progressive steps, 15 per cent. in the first five years, 25 per cent. in the second five years, and the full enhancement of 30 per cent. in the 11th year, thereby giving the settlement-holder time to meet the higher demand, and time to ourselves to rectify any difficulties which the larger assessment might produce on the people. That was what I wanted to bring out yesterday, when I was being examined by the Chairman.

5825. There is a great difference, is there not, between harvest prices and prices at other periods of the year?—There is a difference, but that difference is disappearing a good deal. No doubt there is still a considerable difference.

5826. I mean the harvest prices to the cultivator?—Yes, I think it is disappearing very much.

5827. That is to the advantage of the cultivator?—That is to the advantage of the cultivator altogether. So far as I can judge, I would estimate the difference now between harvest prices and prices at other periods of the year at 25 per cent.

5828. As Lieutenant-Governor you had opportunities of meeting, and you did meet, all classes of the people?—Constantly.

5829. The upper classes—the intelligent classes of the people?—Yes, and I have asked them this particular question, whether the 1*s.* 4*d.* rupee would have any injurious effect upon their tenants, and the answer I get is invariably No. I must say they are not in the habit of considering these speculative questions, but so far as I have explained it to them, and talked it over with them, they have told me that they did not see any likelihood of injury.

5830. Do you think that many of them know that the mints have been closed?—The bankers know.

5831. Do you think many of the landowners know?—It does not occur to them, because as far as they see, no injurious effect, or any effect at all, so far, has been produced by the closing of the mints on their rents.

5832. Do you think the bankers do know?—Yes, the bankers know.

5833. (*Sir F. Mowatt.*) When you say bankers, do you mean bankers in the large towns?—No, I mean the native bankers.

5834. The small men?—Yesterday I drew a distinction between the local money-lender who deals with his own capital, and the big mahajan in the larger centres of commerce, who deal with other people's capital. I now refer chiefly to the latter. The former man, the village money-lender, knows also that the mints are closed because of the depreciation of silver ornaments; he can no longer take the ornaments to the mint and get rupees for them.

5835. (*Sir D. Barbour.*) Does not the small banker know that the intrinsic value of the rupee is not the same as it was?—That is so.

5836. (*Sir C. Crosthwaite.*) As to the ornament question, has anyone made a complaint to you?—During the famine frequent complaints were made.

5837. (*Chairman.*) By whom?—By the respectable cultivating classes who had pawned ornaments, but the complaint was not against the Government, it was more with regard to the money-lenders from whom they raised money. They thought that hard bargains were being driven with them, but the matter was not of any such consequence as to force itself upon our attention during the famine.

5838. (*Sir C. Crosthwaite.*) I suppose, as a matter of fact, most of the people who would sell their ornaments have sold their ornaments already during the last famine?—I should say No, because we find that the people of the class who had silver ornaments were in a very much better position to meet the pressure of distress through this last famine than in the case of previous famines. I remember well the famine of 1874 in which I was concerned, and there we had a much larger percentage of the cultivating classes upon our relief works than in the case of this last famine. So that I should say there was much less pawning of silver ornaments on this occasion than on previous occasions.

5839. For the future it would be the other way about, would it not; they would get more silver ornaments for their rupees?—They would get more silver ornaments; they are now buying bullion and making it into ornaments.

5840. They find they can get more for a given number of rupees?—Yes, so much so that they refuse to release the ornaments that they have pawned, because they can replace them cheaper. On that point I have had inquiry made and that is the result.

5841. Therefore, there is not likely to be any standing grievance on that head?—I do not think so. I think that after all only two or three persons out of ten are people who would be in the habit of pawning ornaments. It only comes in in times of extreme pressure, and it does not fall upon everybody, and after all the loss, such as it will be, is small in the individual case, although it may be considerable in the aggregate.

5842. It is very much like a man in England pawning his spoons?—Very much like that, and everybody does not do it. I think it is very possible that this matter may be, and is now being, made a peg upon which to hang arguments against the Government by certain classes in India, but so far as I have seen the people have not responded to it.

5843. Do you think it originated in India or in England?—In England, I think.

5844. (*Sir C. Crosthwaite.*) Now, as regards the stringency of money. If there had been any difficulty in getting coin there must have been difficulty in collecting the land revenue?—Unquestionably.

5845. And if there had been any difficulty in collecting the land revenue it must have come to your notice?—Undoubtedly. We have collected the land revenue this year with even greater facility than in previous years. You will see that by the number of compulsory processes which are issued.

5846. No money could be remitted and no large suspensions could be made without your orders?—None.

5847. If any district is in balance it would be reported to you at once?—Yes, it would come to the Board of Revenue in the first place.

5848. And you would know of it at once?—Certainly.

5849. There has been no such difficulty?—No such difficulty.

5850. Did any of your officers report that there was any difficulty in getting coins?—None whatever. I had careful inquiries made on that point throughout the provinces, and there was no difficulty whatever in getting silver coins. The only one part of the province from which I received a report to the contrary was from Jhansi, in which some rents are payable in a local coinage, and there was for a certain time some difficulty in exchanging the local coinage into rupees.

5851. (*Chairman.*) Do you mean by local coinage Native coinage?—Yes.

5852. There has been no closing of the mints in the Native States?—No. At this particular place there had been no closing of the mints; but this was a purely local matter.

5853. We quite understand your evidence to be that, so far as your knowledge is concerned, both personally and through your staff, there was no stringency of currency in the internal trade of India in the North-West Provinces?—That is my evidence.

5854. (*Sir C. Crosthwaite.*) And the district organisation is such that it must have become known if there had been.—Yes.

5855. There are large courts of wards estates under the Government?—Yes.

5856. Would you say, roughly, how many lakhs of rupees are collected by Government for courts of wards estate?—Considerably over half a crore.

5857. You had no reports of any difficulty as to those?—No.

5858. What is the land revenue of the North-West Provinces?—About six crores exclusive of provincial rates; say 6¾ crores altogether, or nearly Rx. 7,000,000.

5859. You said yesterday you did not think it was possible, without great difficulty and causing much discontent, to raise the revenue much?—I am very strong on that point.

5860. For instance, take the land revenue; how much is it in our power to raise the land revenue to-morrow if we wanted?—You could not raise any of the assessments, unless the settlements fell in, without a breach of faith. It is impossible; and as far as the settlements are coming in, we do raise the rate as far as we can by the process I have explained to the Committee.

5861. What are the other main sources of revenue that we have?—The land revenue is about Rx. 6,000,000. The provincial rates are Rx. 964,000; so that you may call it 6¾ millions Rx.

5862. They depend upon the land revenue?—Yes, they follow the land revenue; they could not be raised except in the same way. Then income from stamps, Rx. 130,000.

5863. Do you think it is possible to increase that?—Not substantially. It depends on the litigation of the country, and on the commercial relations. You could only do it by increasing the duty on stamps. It is a progressive measure.

5864. Is it your opinion that our tax on litigation in India is too low?—One of the standing objections to it is that it is too high. Then we have excise, Rx. 155,000.

5865. Do you think that might be increased?—I think a little in the North-Western Provinces. It is a matter which I am now inquiring into. By tighter administration, by preventing illicit distillation, and by increasing the rate of duty, something might be done, but it will not be substantial. I should say it might be raised by at the very outside 25 per cent. I do not expect that will be produced within 10 years. With the exception of salt, those are the principal heads of revenue.

5866. Do you think you could double your income-tax?—I do not think so. There is an agitation against the minimum which we have fixed. The revenue is gradually expanding; and I believe, myself, that the country could now afford, without injury to industry or commerce, 6 or 8 crores of additional revenue.

5867. In the North-West Provinces?—No, in the whole of India. I should say that the North-West Provinces would be able to furnish about a crore of rupees additional without injury to the commercial and industrial resources of the country. But to raise that you would have either to incur a breach of faith, by increasing the land revenue in spite of the settlements, or you would have to impose unaccustomed and new forms of taxation; and I, as a responsible administrator, should fear the result of doing that.

5868. Do these remarks apply generally to all parts of India?—To all parts of India that I have any knowledge of—to the Lower Province of Bengal, to the Central Provinces, and to the North-West Provinces.

5869. And Burma?—My experience of Burma is very slight. I have not been in Burma since 1889, and I am unable to speak with any authority as to Burma. The great enhancement of the land revenue above what is gradually proceeding that would be possible would be on estates that have been permanently settled; but that would involve a violation of faith, and violation of faith would, of course, be incompatible with our position in India.

5870. And without that violation of faith, nothing much could be done?—Except in the gradual course of expansion of revenue, I think not.

5871. You mean by gradually putting more local charges upon them?—Yes; by enhancing revenue as settlements fall in and by putting on local charges. Our administration has that tendency. The tendency is that way.

5872. Is there much tea in the North-West Provinces?—Not much, a little in Kangra (that is, in the Punjab), and a little in the Dehra Doon and Kumaon districts.

5873. Have you come across much tea in Bengal?—Yes; but that was some time ago.

5874. Do you think the tea interest is so great as to justify the sacrifice of other interests?—Oh, no.

5875. (*Lord Balfour of Burleigh.*) You told us, in answer to Sir Charles Crosthwaite, that to increase the land revenue would be a breach of faith, and the only other method of increasing the taxation would be to put totally new taxation on other articles?—A breach of faith during the currency of the settlements.

5876. That being so, that is not immediately available?—No.

5877. If you were forced to raise more revenue from land, you could not do it immediately without a breach of faith?—No. As the settlements are falling in we raise more revenue from the land.

5878. Quite so, but that is not immediate?—Not in a very large scale.

5879. If you want another million of rupees, it is not available immediately without a breach of faith?—No.

5880. And you deprecate the imposition of new taxes?—Yes.

5881. It is obvious that if the exchange value of the rupee was to go down to anything like its silver value, new taxation from some source or other would be necessary?—Yes, to the extent of between eight and ten crores of rupees, I believe.

5882. And in addition to the indications of your opinion that you have given us, may we take it that to put on any new taxation at all commensurate with what would be required under those circumstances would, in your opinion, amount to a grave political danger?—Certainly. I am very strong on that point.

5883. You have no doubt on that?—Absolutely no doubt.

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5884. And, therefore, you consider it an alternative to be avoided by every possible means that lies in the power of the Government?—Yes, it is an alternative which I think under no circumstances ought to be accepted.

5885. (*Chairman.*) I have only one question to ask you in reference to ornaments. Is it your opinion that the general impression as to the amount of ornaments is exaggerated?—I think so; the impression, as I understand it, being that where cultivators get money they usually melt down their rupees into ornaments, and do not reserve the greater portion of it in the shape of coined money. My belief is that they reserved the greater portion of it in the shape of coined money, and it is the smaller portion which was melted down into ornaments.

5886. But during the famine your impression was that there was not a large amount of rupees hoarded because they did not come out?—Oh, no. Rupees did come out. Ornaments did not come out very largely because the pressure on the classes who had ornaments was not so great as in former times. Their position, their standard of comfort, their power of resisting distress, had increased owing to the high prices that had prevailed.

5887. Did you form any idea as to the probable amount of hoarded currency that came out—hoarded rupees?—No, I have never endeavoured to estimate that; I think that probably an examination of our treasuries, and of the rupees of old mintages that came out, might give some indication on that point.

5888. As I gather, the Government of India were rather of opinion that the amount that came out on the whole was smaller than they expected?—Certainly, some did come out, because it was brought to my notice.

5889. Then, just in explanation of one question which Lord Balfour of Burleigh put to you, dealing with the land revenue; it is outside practical politics altogether, is it not, to attempt to alter that?—Yes.

5890. It would amount to an act of rapacious confiscation, would it not?—Yes. You have passed your word, and if you broke it you would alienate the good-will of the very class upon whom your Government rests.

5891. (*Mr. Holland.*) You told us that if the exchange value of the rupee were to fall to its bullion value an enormous increase would be necessary in taxation, and that that might lead to serious political trouble. Without presuming to question the soundness of your views with regard to that, I should like to ask, would one effect of a fall in exchange be that the grower of produce would receive more rupees for his produce, the gold price remaining the same?—Yes.

5892. Are you aware that some contend that those additional rupees that he would receive consequent on the fall of exchange might enable him to pay more rupees by way of taxation, and at the same time leave more rupees for himself?—No doubt it would, but we could only get additional rupees out of him very slowly, and I should say, for a very long time not to the extent of the taxation which would be immediately necessary—nothing like it.

5893. (*Mr. Campbell.*) You spoke yesterday of the failure of a native banker. Have you any knowledge of what brought him into difficulties?—At the latter end of yesterday's sitting I did not perhaps make quite clear what I intended to say. You, Sir Henry Fowles, as I understood, asked me a question as to whether the rupee currency was inadequate, and I answered No, that all my information was in favour of the rupee currency being adequate for all purposes of internal transactions. Then you pointed to the fact that stringency did exist in the money market, and you asked me how I explained that. I went on to say that there were two sorts of dealings in the interior; one the dealings of the small capitalists that I mentioned, and in regard to them, I stated that there was substantially no variation from the practice which prevailed before the famine. Then, in regard to the larger transactions, I stated that I considered that the stringency of the money market was due to the calamities through which the country had passed, which had affected the credit of these banking firms; and I gave as an illustration the case of one firm which came within my own observation and knowledge, and I stated that that firm had applied for assistance to a bank in the Presidency town, and that assistance had been refused, either on the ground that the security was insufficient, or on the ground that money was not available—that loanable capital was not available to advance. My point was that if assistance was refused on the ground that the security was insufficient, then obviously there was no connexion with the currency or the monetary policy of the Indian Government. If, on the other hand, assistance was refused on the ground that loanable capital was not available, I maintained that it was also not directly connected with the monetary policy of the Government of India, but connected with what I understood to be the case, namely, that money had been transmitted to England and converted into gold, whereby the capacity of the Presidency banks to lend money was curtailed.

5894. Was that a security which a banker would have been able to get advances upon in ordinary times?—That is a point, I think, on which I should prefer not to enter, because, although I have looked into the accounts of the firm myself when an application was made to me to take the firm under the Court of Wards, I cannot say whether the security would be adequate to a bank or not. All I want to point out is the alternative; first, the assistance was refused, and that must have been either on account of insufficiency of security or on account of want of capital to lend. In either case there was no connexion, in my opinion, with the monetary policy of the Government of India; my object being to show that the stringency of the money market was not due to the monetary policy of the Government, so far as I can judge from that particular case.

5895. Do you know of any other difficulties of a similar nature?—Other difficulties have occurred. To my own knowledge three large firms failed, but one brought down the other. That is a point, I may say, in regard to which I cannot speak from such personal knowledge as I am able to speak from in regard to settlements and the existence of a sufficient amount of currency amongst the people, or in regard to the sentiments of the people concerning taxation.

5896. You say there is no indication of scarcity of money in the interior. Do you refer to the agricultural districts or to the trade centres as well?—Principally to the agricultural districts; I might say altogether. The stringency of money in the trade centres has not come directly to my knowledge, except in regard to those firms.

5897. Have you any knowledge of the conditions of the market in such centres as Delhi and Cawnpore?—No.

5898. (*Mr. Le Marchant.*) I understood you to say, yesterday, that the Government offered to place funds at the disposal of one of the Presidency banks to assist a local firm if the security was adequate?—Yes.

5899. So that, so far as that went, sufficiency of currency cannot have entered into it?—Quite so.

5900. When you spoke of the price of grain having risen, were you referring to all food grains, including those used for internal consumption, or merely to grains available for export?—I was referring to five sorts of food grain—the principal sorts of food grain. I caused to be prepared, before I left India, a diagram showing the movement of prices of the five principal sorts of food grain at one of our great centres—Meerut. If it be permitted, and it be considered of use, I would submit this statement in illustration of what I say. The five grains which I refer to are wheat, barley, jowari, and bajra (a sort of millet), and gram, which is a coarse sort of grain.

5901. How were funds provided during the famine?—They were provided by the Accountant-General,

but from what source they were obtained beyond our treasuries in the North-West Provinces I cannot say. Of course a very large amount of money was recovered during the famine year. There were parts of the provinces which enormously benefited from the distress—those parts which are commanded by canals and which had excellent crops, and got magnificent prices. All those could pay their revenue without any difficulty. The money which came from those portions of the province was of course available. Out of the six crores of rupees I think we recovered about four crores.

5902. In many cases there were remissions of revenue, were there not?—Yes, there were suspensions in the first place; that is to say, the Government did not make recoveries, with the object of seeing how far the provinces might recover, and whether it would be possible to recover any portion of the amount which had been temporarily suspended. Then, when the famine was over in November, the whole position was reviewed, and it was considered that it was fair to recover a certain portion of the amount which had been suspended while the rest was written off; and as I explained yesterday, the portion which it was proposed to write off was written off on condition that the landlord to whom we should remit (say) 1,000 rupees of the revenue, would remit a corresponding amount of the rent to his tenant; that would be twice the amount that we remitted, because the assessment is made theoretically upon half the assets, so that it was only fair that, if we released the landlord from his liability to us, he should pass on the remission to his tenant.

5903. Did the famine expenditure result in bringing into the province of which you were Lieutenant-Governor more currency for the time being than had usually been in circulation there?—I think so. The amount paid away in wages, the amount paid away in charitable relief, and the amount which came from the relief fund collected in England—the latter sum being about 50 lakhs of rupees—was all an addition to the currency in the province. Without the famine it would not have got into general circulation—not directly in that way.

5904. (*Mr. Hambro.*) I do not quite understand what proportion of the land tax is a fixed thing—how much falls in every year?—The assessments were made 30 years ago as a rule.

5905. Made for 30 years?—Thirty years. Some fall in earlier than others because when they were made they were not made all at once. When a settlement for one district of the North-West Provinces and Oudh had been made for 30 years, the officers went on to another district, and when they had completed that settlement it ran for 30 years; so that the settlements fall in, to a certain extent, on a roster, but not regularly. I forget the exact year, but shortly after the Mutiny, there was a settlement for Oudh. The 30 years' term is current from the date of the sanction of the settlement by Government. A certain number of officers are employed; they cannot be in several districts at the same time, consequently it follows that one district was settled, say in 1860, and the next may be settled in 1863, and the next a year or two after that, so that they will fall in on a sort of roster. They are re-settled as each one expires, according as our officers are available for employment in the work.

5906. In fact it is perpetually going on?—It is perpetually going on, and the object now is to establish a gradual roster by which the settlements may fall in regularly, principally with the view of utilising the same establishment for performing all the work, one district after another.

5907. A very small proportion has fallen in?—The whole of Oudh has fallen in, and now the districts of the North-West Provinces are beginning to fall in.

5908. You said that the enhancements which you were enabled to make on the assessments as they fell in was in your province about 60 per cent.?—No. Throughout Oudh we expect to get an increase of 25 or 30 per cent., although in particular districts the possible increase we might demand has gone up to 100 per cent. That is due principally to the extension of cultivation in that particular district.

5909. The 25 or 30 per cent. enhancement is where there is no extension of cultivation?—No. There is always some extension of cultivation; but where you have only 25 or 30 per cent. increase, it is chiefly due to the enhancement of rents which follow the rise in prices.

5910. The rise in prices, all things being the same, in London follows the drop in exchange; I mean the rupee in India can purchase more?—No, I do not think it has followed the drop in exchange. I think the rise in prices is mostly due to construction of railways and increased population and increased demand.

5911. I think you said you had fixed it somewhat on the idea of an exchange of 1*s.* 4*d.*?—No. What I intended to convey was that the present revenue of the Government of India will enable it to carry on with a 1*s.* 4*d.* rupee.

5912. What I want to get at is, if the rupee was going to 1*s.* 2*d.*, would you be able to fix a bigger land tax?—No.

5913. (*Chairman.*) In other words, revenue officers have nothing to do with the exchange value of the rupee?—Absolutely nothing. Their operations, which in the North-West Provinces follow the rents, are entirely limited to raising such an income as the people can pay, consistently with maintaining their standard of comfort, and such that you can collect with ease one year with another.

5914. There is no land revenue, I think, levied upon grass land; it is all upon land under cultivation?—It is, to a certain extent, levied upon grass land in this way. In our revenue assessment there is a source of income called siwái; that is the native word, which means miscellaneous income from fisheries, fruit, grass, and so on. I should say that the income from siwái is not, as a rule, one-half per cent. of the income from the whole estate, and in many estates there is no income from siwái.

The witness withdrew.

(*For Mr. Lindsay's Evidence taken on this day, see supra page* 144.)

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

THIRTEENTH DAY.

Monday, July 11th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair).

The LORD BALFOUR OF BURLEIGH.	MR. ROBERT CAMPBELL.
SIR JOHN MUIR, Bart.	MR. EVERARD HAMBRO.
SIR FRANCIS MOWATT, K.C.B.	MR. W. H. HOLLAND.
SIR DAVID BARBOUR, K.C.S.I.	MR. F. C. LE MARCHANT.
SIR CHARLES CROSTHWAITE, K.C.S.I.	MR. ROBERT CHALMERS, *Secretary*.
SIR ALFRED DENT, K.C.M.G.	

Mr. S. A. Ralli.

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MR. STEPHEN AUGUSTUS RALLI called and examined.

5915. (*Chairman.*) You are a member of the firm of Messrs. Ralli Brothers, 25, Finsbury Circus?—Yes.

5916. I need hardly ask you whether you have had considerable experience in the Eastern trade?—We established ourselves in 1851, and we have done since a very large business both in imports and exports. I should like, before you commence my examination, to make a short statement about the interest of our firm in this question, and the policy we have followed. When the question of the closing of the mints came to the front in 1892, our firm had to consider what were our interests in this question and the policy we were to follow. We came to the conclusion that the interests of our firm were bound up with the prosperity of India; that if the material prosperity of India continued as before, our firm was likely to do well; but if the development of the trade of India was checked by legislation, then the material prosperity of India would decrease, and we should certainly not do as well as before. We thought, and that was the opinion of the Secretary of State for India in 1886, that the decline of silver and of the exchange had been beneficial to India, although it created embarrassment to the Indian Treasury and to the Anglo-Indian communities; that in order that India should be able to pay her debt to England, we must have large exports, and that the exports should be made as large as possible; that only a low exchange can develop and expand the cultivation in India, enabling the merchants to give to the cultivators as large an amount of rupees as possible. By doing so the cultivators get rich—comparatively rich; they are enabled to extend their cultivation and to increase the exports. At the same time, as the cultivators of India form by far the large majority of the Indians, when they get on well their power of buying imports increases; so that by a low exchange the exports are benefited directly and the imports indirectly. As long as the exchange kept declining we had very large increases both in exports and in imports. The opinion, therefore, of our firm, and the policy which we in consequence followed, was and is that the low exchange is most beneficial to India, and indirectly to the Government of India, as the power of the native to pay taxes increases, and when the natives are doing well the Government must be benefited. This opinion was unanimous in our firm; but lately some members of our firm, taking into consideration only the interest of our firm, disagree with our views for the following reasons: Since 1873 we have not any rupee capital in India. All our funds have been turned into sterling, and we work on this basis. The rate of exchange is now 1*s.* 4*d.*; some members of our firm differ from my opinion on the ground that, as our turnover is reckoned in sterling, if the rate of exchange instead of being 1*s.* 4*d.* was for argument's sake 12*d.*, in order to make the same turnover, we would have to increase our business of exports by one-fourth. They maintain that taking into consideration the very great abilities of our competitors, who are most active, most clever, most enterprising, this is impossible; and if it was certain, that our expenses would be materially increased, because we would have to increase very materially our staff. Therefore, they say the policy of the Indian Government favours our firm. Besides the outcome of the policy of the Indian Government, that is the contraction of the currency, must result in a tight money market, and some of our competitors, who are financed by the banks, and the natives, paying high rates of interest. For instance, it is well known that for a long time past the banks have been loaning rupees to the exporters at 15 per cent. per annum interest against good security, whereas in our business we reckon the value of our money only 5 per cent. Therefore, when we are in India in a state of crisis with a very tight money market, we have a decided advantage over most of our competitors when the banks are lending rupees to the export merchants, either to be sent into the interior or to be given to the dealers from whom they buy in Calcutta, Bombay, or Karachi. When the banks get 15 per cent. the natives are obliged to pay at least 20 per cent. for accommodation. When therefore the crops are large, as this year, and the natives have to pay such high rates of interest, it is impossible for them to hold their produce for any time, and we can therefore buy from them at a much better margin than when money is easier and the rate of interest moderate. Therefore, the evident interest of our firm is that the present policy of the Government should be continued. My opinion differs entirely from the above. I am convinced that next winter, if things remain as they are, we are likely to have in India a much greater crisis than we had before; that a large number of our buyers of import goods will fail, and that the dealers from whom we buy produce in Calcutta, Bombay, and Karachi will not be able to fulfil their contracts. Therefore, the great advantage which the banks derive from the present policy of the Government, as well as the merchants who have capital and credit, is considered by me temporary, and I think we are likely to lose in the future more than we are making now.

5917. Your examination will probably be shortened by your having given us so clearly and fairly the view both of yourself and some of your partners. I will now put a few questions to you specifically, and then if, after your own examination by my colleagues, there is anything you wish to add, we shall be pleased to hear it. The first question I will put to you is this: Do you consider that at the date of

the closing of the mints in 1893 there was more silver currency in India than the trade of that time required?—No.

5918. Do you think at that time there was an accumulation of currency either in the Presidency or other banks?—I maintain that the circulation was not redundant, and I will give you my reasons. If the circulation was redundant, that would mean that over and above the requirements of the circulation there would be a surplus of rupees—that is evident. Well, at that time you could turn silver into rupees by paying a seignorage of 2 per cent.; the freight from England to India of silver was ½ per cent., the Insurance ⅛. If you wanted to send back rupees to England, you would have to pay ½ per cent. freight and ⅛ per cent. Insurance, total 3¼ per cent. Therefore, if there was a surplus of rupees over and above the wants of the circulation, the exchange would have fallen sufficiently low, not only to stop the shipments of silver to India, but to enable the banks to sell silver in London, and to ship against that silver the surplus of the circulation. This is self-evident, and we see it in Egypt, where, during the winter, a large amount of sovereigns are shipped, and during the dull season part of those shipments return to England.

5919. Before this took place would not all the excess have gone out of the banks in India?—But the banks would have done the same.

5920. I want to get at the actual fact. You say you think there was no excess in the banks?—No, I do not say that. I only say that there was no excess in the circulation, that it is utterly impossible that there should have been an amount of rupees over and above the requirements of the circulation. That is what I maintain.

5921. Now what was the discount rate at that time?—I do not remember.

5922. I suppose the effect of the closing of the mints in June 1893 would not come into operation immediately?—Perhaps not.

5923. Do you consider that the closing of the mints since June 1893 has reduced the currency below the requirement of trade?—As there were no more rupees coined after the mints were closed, and as there is always the wear and tear of the rupees in circulation, and as rupees are sent to countries which retain part of them, like Southern China and Upper Burma, I think the contraction of the currency must have been going on, but that was not felt immediately. It was felt subsequently, especially in the last two years.

5924. Do you consider that the deficiency in the currency commenced in the year 1896?—All the time, of course, there were fewer and fewer rupees, but latterly we have had proof of the scarcity of rupees.

5925. Will you now give us those proofs? We have had evidence to the effect that there has been no scarcity of rupees in the internal trade of India?—I will give you proof that that is not the fact. The proof that rupees are scarce now in India is as follows. First, if the rupees were abundant, it would be impossible for the banks to get 15 per cent. per annum from the export merchant for the loan of rupees; they would have been obliged to lend their rupees at a much lower rate of interest. In the interior and in the bazaars in Calcutta, Bombay and Karachi the natives would not have been obliged to pay, to be accommodated with rupees, 20 per cent. interest and over.

5926. Have you any knowledge as to whether the rate of interest differed in the bazaars from what it was in the banks?—The rate of interest in the bazaars was over 20 per cent.

5927. We have had evidence about a gentleman who, when he was asked 13 per cent. at the bank, was offered money at 8 per cent. in the bazaar?—The Bank of Bombay declined to advance against Government securities at 18 per cent. I have not asked our firms in India to give me proofs of the scarcity of rupees, because we were too busy this year to attend to anything except our business; but from my friends here I have had two proofs of this scarcity. A firm in Moulmein, which is a large export port for rice, could not find a sufficient quantity of rupees (and the quantity required was only 21,000 rupees) to pay for the export duty on a cargo of rice.

5728. What was the rate of exchange then?—About the present rate of exchange. That was two months ago.

5929. Why did not they go to the Treasury and present gold for that amount?—They had to bring rupees from Calcutta, and part of those rupees which came from Calcutta were loaned to the export merchants at 20 per cent. per annum. I gave this information to a friend of mine, who spoke about it to one of Her Majesty's Ministers, who asked from me proofs of this, and I gave him the proof. In Mauritius, where the currency is a rupee currency, and where the Government is bound to give against rupee notes silver rupees, the scarcity was such that the Government of Mauritius was obliged to issue a decree, stopping the convertibility of rupees notes into silver rupees, and practically Mauritius was put on a paper basis.

5930. Is it not the fact that "The sugar crop of "1897–98 compared with that of 1896–97 showed a "deficiency of 5 millions of rupees, while the cost of "the provisioning of the country with rice and food "stuffs is estimated at 4 million rupees, owing to the "unprecedently high prices prevailing in the Indian "market, the result of plague and famine." That is an extract from the speech of the Governor in Council?—Still, there is the fact that the Government of Mauritius was obliged to stop the convertibility of the rupee notes into silver rupees.

5931. I think we had better confine ourselves to India, as, of course, there is a material factor in the Mauritius case which does not exist in the case of India. Now, does your opinion apply equally to the slack season and the busy season?—Certainly not. Of course, in the busy season we require a great many more rupees than in the slack season.

5932. Do you consider that there was a stringency in the slack season last year?—I cannot answer that question. Of course, there was less stringency than there was before, but in the dull season we require a much smaller quantity of rupees. I may tell you, however, that in the busy seasons we ship from Calcutta, Bombay, and Karachi to the interior markets, where we have agents, a large amount of rupees, because in most of those markets in order to buy produce we must give rupees.

5933. You said in your statement you considered that the decline in the value of silver was beneficial to India?—Very much.

5934. And that large exports were necessary?—Yes.

5935. And that large exports were caused by a low exchange?—Yes.

5936. How are exports affected by a stable exchange, varying to the extent of what we have called in this inquiry the bullion points?—If the stable exchange was a low one then it would have the same effect.

5937. Let us take what it was on an average 10 years before this?—It is utterly impossible to have a stable and permanent rate of exchange in India. This was alluded to by the Chamber of Commerce of Bombay, and I wrote at the time to our firms that the man who could establish a stable and permanent rate of exchange in India without interfering with the development of the foreign and local trade would be a genius, and that a statue ought to be erected to him in every town and village of India.

5938. You said that by a low rate of exchange the cultivators would receive a large amount of rupees?—Yes.

5939. Would the wage-earning class receive higher wages?—I find that in India the wages rise very slowly. In fact, Sir Alexander Wilson, who was

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some years ago at the head of the Shellac Factories at Mirzapore of Messrs. Jardine, Skinner, & Co., of Calcutta, told me that the wages in their factories had not risen at all for 30 years. Latterly, however, with the exchange at 1*s.* 4*d.*, the wages at the seaports at Calcutta, Bombay, and Karachi, owing to the plague, had risen immensely, because the natives have learnt now to strike, and to ask for much higher wages.

5940. There you are dealing with the seaports only?—Yes.

5941. Just let us confine our attention for the moment to the cultivators, the vast agricultural population of India. Their wages, I understand you to say, have not increased for the last 30 years?—That is the opinion of my informant as regard Mirzapore, but I do not agree with that opinion.

5942. You think they have risen?—That is so to a certain extent.

5943. Then the advantage of the fall of exchange is first an advantage to the merchant?—No, it is no advantage to the merchant whatever.

5944. Will you take a concrete case? Take the case of wheat, because you are great buyers of wheat. Wheat, I understand, is always sold in London at gold prices?—Always, of course; but that applies to everything.

5945. Given a certain quantity of wheat sold in London at a certain gold price, producing at a certain rate of exchange a certain number of rupees, I want to trace the advantage of the low rate as compared with the high rate to the various people—the merchant, the cultivator, and the wage-earner?—Suppose, for instance, that we enter into a wheat transaction, and that we sell in London a certain quantity of wheat; the very same evening we telegraph this sale to one of our firms and immediately we can, in Calcutta, or Bombay, or Karachi, buy the wheat, secure the exchange and the freight, and if we can make a small profit, we immediately close the transaction. Therefore, whatever may be the price of wheat or the rate of exchange the profit is the same.

5946. It is a gold profit on a gold price?—Yes. That is as regards the merchant, but it is impossible for the merchant with the great competition which there is between us to make more than a small profit. If we want to make a little larger profit, my friend opposite will take the business from us.

5947. But you having sold, we will say in London—take any rate of exchange you like—1*s.* 4*d.* or 12*d.*—tell me, will the number of rupees which will be received in India be increased or decreased by a fall in the rate of exchange?—Increased, certainly.

5948. Now, to whom does that extra number of rupees go?—It goes to the seller of wheat either in Calcutta or the interior, and the seller of wheat in Calcutta or in the interior can give to the cultivator of wheat, and does give to the cultivator of wheat, when the exchange is low, a larger number of rupees, because the same competition which exists between us merchants exists between the dealers in Calcutta and the interior. It is impossible for them to make a large profit.

5949. I am not speaking about the largeness or the smallness of the profit. I want to see which is the class that is advantaged by the low rate of exchange. You have practically disposed of yourselves as the great merchants; you say it does not matter to you, you buy or sell, as the case may be, at a gold price, and it does not matter to you what is the rate of exchange. When it comes to be turned into rupees, there is, as there would be in every depreciated currency, a larger number of rupees given when the currency is depreciated. Now, I want to see into whose pocket that increase goes?—To the owners of the land and the cultivators.

5950. To the cultivator. You have already said it does not go to the wage-earner?—Some part must go to the wage-earner.

5951. If you say "ought" instead of "must," I agree; the question is, does it go?—Some part of it is likely to go, but the bulk goes to the cultivator, enabling him to increase his cultivation and to buy import goods.

5952. Now, suppose we go a step further, and suppose the exchange is still further lowered; that is to say, suppose the bullion value of silver goes down, and instead of exchange being 12*d.* it is 6*d.*, would that be a still further boon to the export trade?—That is a *reductio ad absurdum*.

5953. I know it is. I want to know where the limitation is between the *reductio ad absurdum* and what is practicable?—The reason why I think that that is utterly impossible is because it is impossible that silver should go to such a low price as to make a 6*d.* exchange possible.

5954. You think it is impossible that silver should go much below its present price; it has reached its bottom?—Well, I cannot say that. When I was in Australia in 1893 I made very careful enquiries of some friends of mine who were interested in the largest mine of Broken Hill. They were directors of that mine. The opinion of my friends was that the bare cost to extract silver varies between 1*s.* 4*d.* and 1*s.* 6*d.* per ounce, nearer 1*s.* 6*d.* than 1*s.* 4*d.*; that is, without taking into account any dividend at all to be given to the debenture holders, preference holders, or shareholders. Therefore, as they could not work the mine for nothing, it is evident that you could not sell the silver of that mine, which is the cheapest, except you had something between 20*d.* and 22*d.*

5955. You say that silver which is now selling at 2*s.* 3*d.* could be produced at 1*s.* 4*d.*?—No, I did not say that.

5956. You said that it could be produced at that, irrespective of profit?—But you must pay your shareholders.

5957. Now, you consider that the rise in the value of the exchange is owing to the deficiency of the currency?—Certainly.

5958. Do you consider that it is in any degree owing to the sale of fewer Council bills or to Government borrowings in sterling?—If, as was done in 1893, you cease drawing from London, you will help the exchange upwards, of course.

5959. Do you think that will at all affect the question of the redundancy of the currency?—If you cease borrowing, but you cannot cease.

5960. Do you consider that it is in any degree owing to the sale of fewer Council bills or to Government borrowing?—I say, that if instead of paying the debt, which you are obliged to pay, you borrow in England and increase your liability—increase the weight of those obligations on India—of course, you do not decrease the rupees to that amount which you borrow.

5961. Do you think at the present time there is any want of confidence in the future value of the rupee?—Certainly.

5962. Do you consider that an advantage or a disadvantage?—I consider that the policy of the Indian Government has inspired in London a want of confidence, certainly, and the proof of it is that the Indian loan of 2½ per cent. issued in 1896 was sold at 103. A similar loan to be issued to-morrow will be at about 88½. That shows conclusively that the credit of the Indian Government has very much deteriorated. On the 15th June 1896, Consols were at 113, Metropolitan 2½ per cents. at 106½, London add North Western 3 per cent. Debentures 124. On the 15th April 1898, Consols were 110; India 2½ per cents. 91½, Metropolitan 2½ per cents. 99——

5963. You say that Metropolitan 2½ per cents. in 1896 were at 106½, and in 1898 they were at 99. Is that any proof of want of confidence in Metropolitan stock?—No, but I wanted to show you that the difference in value between those various stocks is 15 points against the 2½ per cent. rupee loan; whereas with the others the difference is only 7 points. I do not want to bring forward as a proof the price of Consols, because we know that the Consol market is a forced market, not a natural market.

5964. But what you are wanting to prove is that the fall in the 2½ per cent. Indian stock, or the

difference between the price of the present loan and the loan of 1896, is a proof of want of confidence in the Indian Government?—Yes, most manifest proof.

5965. What was the fall in Indian 3½ per cents. on the London Stock Exchange?—I have not that here.

5966. But that is the credit of the Indian Government?—The credit of the Indian Government is the 2½ per cents., and you will see that on the 15th June 1896, the Indian 2½ per cents. were at 103 and it is to-day 88½, whereas the Metropolitan 2½ per cents, which were then at 106½ are at 99; London and North Western 3 per cent. Debentures, which were 124, are at 118. That shows you that the Indian 2½ per cent. is lower than any other security.

5967. You consider that this is an indication of want of confidence in the policy of the Indian Government?—Yes.

5968. Do you think there has been any tendency in India to remit capital home?—Yes.

5969. What was the reason of that?—When the exchange came to 1*s.* 4*d.*, it was thought that 1*s.* 4*d.* was near the maximum and the free capital there was remitted.

5970. Would that diminish what is called the available loan capital?—To that extent it does.

5971. Are you in favour of the re-opening of the mints?—Yes, and I am certain that the mints will eventually be re-opened.

5972. Will you tell us the reasons why you are in favour of re-opening the mints?—I do not wish the mints to be re-opened now, and I am entirely of the opinion which the Indian Government in their minute express upon that matter, that to re-open the mints would produce great perturbation in the trade of India. I am in favour of re-opening the mints, but by gradual process.

5973. Is this the passage of the despatch of the Indian Government to which you refer: "The result "..... would be an intense dis- "turbance of Indian trade and industry by the sudden "rise in the rate of exchange, which, if the ratio "adopted were 15½ to one, would be a rise from about "16*d.* to about 23*d.* the rupee. Such a rise is "enough to kill our export trade for the time being." Is that the passage to which you refer?—No. That confirms my opinion that the high exchange would kill the exports; but what I mean is, if you were to re-open the mints suddenly, the exchange is likely to go to about 12½*d.*, say, because silver will rise, and to go down immediately from 1*s.* 4*d.* to 12½*d.* would greatly disturb the trade of India.

5974. Would it not go to 11*d.* in consequence of the recent changes in Japan?—I do not think so, because silver will rise immediately, especially with the opening of China.

5975. But has not Japan now fixed the ratio at 11*d.*? Could you have a rupee with open mints higher than the Japan rate?—The Japan rate is 29⅛.

5976. It is equivalent to 11*d.* the rupee?—You know that the gold standard in Japan is fast breaking down.

5977. But so long as the present gold standard lasted could we maintain an exchange above 11*d.*?—Certainly.

5978. We could with open mints?—With the opening of the mints to silver the Japanese would sell their silver yens for silver.

5979. Now you said that you were in favour of the opening of the mints, but by gradual process. Will you explain what you mean by a gradual process?—What I mean by a gradual process is this—The scheme which I favour now is not my scheme; it is a scheme of some friends of mine, about which they have spoken to me for the last two or three years. It is that the rate at which rupees should be given for gold by the Indian Government should be decreased from 1*s.* 4*d.* to 1*s.* 2*d.* This will facilitate exports, and if we have large crops a certain amount of gold is likely to be exported to India during the busy season. Then, as you are aware, when the exchange is high in India, the silver price of gold declines, and there is a great inducement for the natives to turn their rupees into gold. It is for that reason that last year you have seen such a large exportation of gold to India. When the exchange is low the gold price in rupees gets high, and there is an inducement to the native to sell.

5980. You would propose the continuance of the present system, but simply altering the ratio from 1*s.* 4*d.* to 1*s.* 2*d.*?—Yes, for this reason. I think that during the busy season it is very likely that a certain amount of gold will be sent to India to be exchanged for rupees.

5981. In the 1*s.* 2*d.* we should still have an artificial value of the rupee?—Certainly; but the 1*s.* 2*d.* would be only temporary.

5982. When would the temporary effect cease?—We should try the 1*s.* 2*d.* as we have tried the 1*s.* 4*d.* 1*s.* 4*d.* has not brought gold. Let us try whether 1*s.* 2*d.* will bring gold.

5983. Then the aim would be to bring in gold?—To bring in gold to India. Then at the time of the slack season the gold price of the rupees would rise, and the Government would be able to sell the gold at a profit and take back the rupees. Then part of the gold sent is likely to be exported.

5984. Are you in favour of establishing an effective gold standard for India?—If it was practicable.

5985. I want your opinion. Are you in favour of a gold standard for India irrespective of the rate of exchange?—I cannot disconnect the exchange from the gold standard. I think if you have a gold standard in India, and you have a sufficiently low rate of exchange of gold into rupees, and rupees into gold, in order to develop and extend the trade of India, certainly I am not against a gold standard.

5986. Would you have a gold currency?—Oh, no; the gold currency is not suitable for India, as we have seen from the letter that your secretary has received from the Chamber of Commerce of Calcutta.

5987. Personally, your opinion is that an effective gold standard could be established without a gold currency?—No, I think that any gold standard will break down.

5988. Then you do not think a gold standard is possible?—Any gold standard will break down, and the reserve of gold, either in India or here, will disappear.

5989. Do you think that a rise of exchange has any effect upon the cost of production?—The cost of production in India, certainly. Take the case, for instance, of those who have tea gardens, those who are manufacturing jute goods; if you have the exchange at 1*s.* 4*d.* instead of 1*s.* 2*d.* or 12*d.*, as a matter of course the cost of their production will be higher.

5990. Do you consider that the closing of the mints places the Indian and Ceylon produce at a great disadvantage in competition with similar produce from China and Japan?—Undoubtedly, but not immediately.

5991. Do you think at present the tea trade is suffering from the high rate of exchange?—Those who are in the tea trade, who have gardens both in India and Ceylon, tell me so, certainly.

5992. I am asking your opinion?—I have not been into tea gardens; I wish I had been, because they have paid very well in late years, but now they do not pay so well.

5993. I do not know whether you have seen a prospectus that has come out this morning. There is a very large set of tea gardens for sale, and it is stated that the output of the estates for the season of 1896–97 was 1,985,680 lbs.; in 1897–98 the output was 2,045,502 lbs.; and the estimate of crops for 1898–99 is 2,210,000 lbs. It is also stated, as to the principal estate which was formed in June 1896, which was after the closing of the mints and after the high rate of exchange, the first year's operations were sufficient to allow of a dividend of 12 per cent. on the ordinary shares, and the latest reports show a large increase of profits. Now if that prospectus is correct,

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about which I know nothing, it would imply that there is a very good prospect?—There was.

5994. But this is money asked to-day in London for the property?—There was, but now there is not much profit. I wanted to tell you what is the reason of the great development of the tea trade during late years. They have been favoured by a low exchange, but that is not the principal reason. It is because tea is manufactured in India and Ceylon by scientific process. The Chinaman, who produces his tea as it was produced 4,000 years ago, has no chance whatever to compete with India and Ceylon. But immediately you have the central provinces of China under English control with English administrators, and there is safety for money and property, and the exactions of the mandarins cease, if China is on the 10*d.* basis, the tea industry in India will certainly be killed, and it is for that very reason that a great many of the tea planters of India instead of cultivating their gardens on their own account are turning them into companies.

5995. And they are putting their shares on the London market to-day with the rupee at 1*s.* 4*d.*, promising good dividends?—I do not know what they promise.

5996. Now with reference to the remittances to India for the gold debt in England, have you formed any opinion about the effect of a low exchange on that?—Certainly.

5997. You know the figures as to the increase of cost. I may just remind you that the cost of exchange has risen; its highest point was reached in 1895 when it was Rx. 15,000,000; in 1895-96 it fell to Rx. 14,000,000; and in 1896-97 it fell to Rx. 12,000,000. Now, a low rate of exchange means a large increase in the amount of exports for the purpose of paying that sum in gold?—Yes.

5998. Is there any real loss to the people of India?—It is a great benefit to the people of India.

5999. They are exporting so much more?—That is confirmed entirely by the minute of the Indian Government of 1886.

6000. I want your opinion and not that of the Indian Government?—My opinion is exactly like the opinion of the Indian Government. They said: 'Whilst "impressing upon the Secretary of State the very serious "inconveniences suffered by the financial department "of the Government and by the Anglo-Indian official "community owing to the fall in the gold price of "the rupee, the Government of India freely admitted "that, so far from this fall having proved injurious to "the people of India, the Indian cultivator appeared "to have actually gained." I do not know who wrote that despatch, but it gives sound principles of currency, and I am very sorry that the Indian Government has departed from them.

6001. Do you think it is possible to have any increased taxation in India? I see you have suggested in your paper an import duty. I want you to explain your views upon that head?—When I gave my evidence in 1892 I said this: The Finance Minister of a progressive country like India, the material prosperity of which has year by year increased, ought not to find difficulties in increasing the taxation, either increasing the existing taxation, or finding some new taxation; but if that was not possible, then I said that if a low exchange, according to what the Indian Government has said, increases the prosperity of a country, the country will be enabled to do what other countries have done; that is, to put duties on imports and duties on certain articles of export (I did not say that in 1892) like jute and shellac, which are produced only in India. What I want to point out to you is this: The Indian Government, in 1893, instead of closing the mints——

6002. What we have to deal with is what the Government has done, not what might have been done. You think it is possible to increase the taxation of India—either to increase the existing taxation, or to put an import duty on goods imported into India?—Yes.

6003. Would you still hold that opinion if Indian authorities of the greatest experience were to tell you that they considered that any such step would produce a great political disturbance, which might endanger British rule in India?—I do not believe in political disturbance owing to that. I believe there will be political disturbance if the present system of the Indian Government continues.

6004. I want you to answer me on this very point, because this is a practical question. What taxes would you propose to increase in India?—I cannot give you any opinion about taxes in India, because I am not competent to do so; but what I say is, that if the present taxes cannot be increased, or new taxes levied, I would raise the import duties, with corresponding excise duties.

6005. Who pays import duties?—The Indian people. They can afford to pay it if they are prosperous. They will not afford to pay the present taxes if they are not prosperous.

6006. Your opinion is that the mints would have eventually to be re-opened and the import duties materially increased, with equivalent excise duties on cotton goods manufactured in India?—Yes. When I say materially increased, I mean increased to the requirements of the Government.

6007. The requirements of the Government would be about 12 crores of rupees, in round figures?—My friend Mr. Brown, of Messrs. Kilburn, Brown & Co., has published a pamphlet lately, and he has proved that you can meet the case by increased import duties.

6008. Do you know what the import duties produce at present?—No, I have not gone into the figures.

6009. Are you aware that they might have to be not only doubled but trebled?—Well, the import duties are 5 per cent.; why should you not make them 15 per cent.? The Australian Government have put on import duties of 30 or 35 per cent., because they are autonomous and able to do what they like.

6010. You would propose an export duty on articles produced in India?—Yes, if it is wanted.

6011. What do you think the effect on the jute trade would be if you levied an export duty on the raw material?—If you put an import duty of 10 per cent., and an excise duty of the same amount, there will be no effect.

6012. (*Lord Balfour of Burleigh.*) I understand that you have expressed the opinion that if the mints were to be opened at the present time, the exchange would go to 12½*d.*?—I think so.

6013. What are the considerations which lead you to prophesy 12½*d.* under those circumstances?—I have asked the opinion of very competent men, and that is their opinion—that silver will rise to about 12½*d.*

6014. Could you give me the names of the competent men on whose authority you say that?—For instance, I have discussed the matter with my friend Mr. Brown, of Kilburn, Brown & Co., and Mr. Williamson, the partner of Sir John Muir. Both those gentlemen confirm the opinion that if the mints were opened after being shut for so many years, there would be such a demand for silver that we should have exchange at about 12½*d.*

6015. Can you refer to anybody else besides those gentlemen?—For the last five years we have been speaking almost every week about this point.

6016. But can you give me the names of anybody?—I cannot give you the names.

6017. Now, do you know what the considerations are which guide their minds in fixing 12½*d.*? What are the reasons which these other gentlemen with whom you have been conferring have for fixing 12½*d.*?—Before the mints were closed, if I remember rightly, the price was either 32 or 36; and we take into consideration also the greater demand which is likely to be made by the opening of China.

6018. You are all unanimous that it is to be 12½*d.*?—Oh no: it is impossible to say whether it will be 13*d.*, or 12*d.*, or 12½*d.*

6019. Then there is a doubt about it?—There is a doubt about it, of course.

6020. You may say a very great doubt about it?—I should not say a very great doubt, but certainly a doubt. There is always a doubt on a thing which has not taken place.

6021. But you think it is sufficiently certain in your mind to make it a safe thing for the Government of India to rely, that it would be sure not to go below 12½*d.*?—If the mints were opened, do you mean?

6022. Yes?—I do not say that it might not go to 12*d.* or 13*d.*

6023. Or 11*d.*?—I could not say.

6024. Or 10*d.*?—The opinion in the City is that it will go to about 12½*d.*; that is all I can say.

6025. I do not understand you to advise the immediate re-opening of the mints?—No, what I advise would be 1*s.* 2*d.* I am a prudent man of business, and I do not want the Indian Government to do anything which is rash.

6026. I want to know why you select 1*s.* 2*d.* as the figure instead of 1*s.* 4*d.*?—Because we see that at 1*s.* 4*d.* the export is checked; the expansion of cultivation is checked.

6027. What article has been checked by the rate of 1*s.* 4*d.*?—Two months back our firm wrote to us about linseed. At the present price of linseed we cannot buy freely, because it does not pay the merchant to sell it—that is, for the time being. I am a fair man and I want to take both sides.

6028. I want you to convince me if you can, and I should like to know from you the reasons on which you and your friends fix 1*s.* 2*d.*?—The reason is plain. We have seen that 1*s.* 4*d.* has brought about a crisis in India.

6029. Has it?—Certainly; we have been in a state of crisis now for months past.

6030. That, of course, is a matter of opinion?—There cannot be two opinions about it.

6031. I am not going to argue the question. You gave me as one of the articles the trade in which had been injuriously affected by the 1*s.* 4*d.* rate—linseed?—Oh, no; I did not say that.

6032. I asked you to refer me to an article, the export of which has been injuriously affected by the 1*s.* 4*d.* rate?—Last year exports have been very much lower than the year previously.

6033. Will you refer me to one article?—You can refer to all of them. You have only to take the exports of last year. It is infinitely reduced—from 114 crores in 1895–6 to 97 crores last year. But I must tell you against that (because, as I said, I am a fair man), one of the reasons why the exports last year were reduced, was because the crops of wheat and seeds, in consequence of the drought, were small.

6034. Surely you can name me some article the export of which has been injuriously affected by the 1*s.* 4*d.* rate?—Take wheat. In 1891 we had 221,000 tons exported; in 1892, 176,000 tons; in 1893, 53,000 tons; in 1894, 12,000 tons; in 1895, 50,000 tons; in 1896, 3,500 tons; in 1897, nil. That is from Calcutta.

6035. The price of wheat was going down in Europe all that time?—I will tell you all about that.

6036. But it was, was it not?—Yes, it was so.

6037. Then I want to know how you fix upon the 1*s.* 4*d.* rate as the cause of the falling-off of exports, and not the depreciation of prices in Europe?—For this very simple reason. The higher the exchange the higher is the cost of export goods, and the less our power of competing with other exporting countries.

6038. But if the gold price in the country to which you are sending it is less, is that or is it not (I am asking your opinion) a factor which would in all probability lessen the export?—Yes, but I repeat my answer, which is, the higher the exchange the greater is the cost of every article, and the lesser our ability to compete with other exporting countries.

6039. But if the price of wheat had remained the same in the countries to which you were sending it, it is obvious that that consideration which you put before us would have had a less effect?—Certainly. In 1891 we had the high rate of exchange——

6040. What was the rate in 1891?—I do not remember, but it was a high rate. I had a great deal of talk with my late friend, Mr. Bertram Currie, because he was on the Council of India, and he was at the Bank of England every Wednesday, and we exchanged opinions. He pointed this out to me: "I see that, in "1891, you had a large export of wheat and linseed, "although the exchange was high." I said, "Yes, be-"cause we had in Europe short crops, and the price of "wheat went up" (as it has gone this year, and we have a larger export than ever from India). It is for that reason when you have a really high price in Europe, whatever the rate of exchange, the goods will be exported in large quantities if the crops are large in India.

6041. Now give me another article which has been injuriously affected?—I will take linseed. On a series of years we had exports of 276,000 tons from Calcutta; the average was 250,000 tons. Then in 1896 it was 154,000 tons, and last year 141,000 tons. That is from Calcutta. From Bombay it is worse.

6042. (*Chairman.*) Do you take it that as a whole the export trade of India has been seriously injured by the rise in the rate of exchange? I am not asking you with reference to famines or plagues, but you gave us your opinion that the export trade of India had been seriously injured by a high rate of exchange?—I say yes, because if we had had the open mints the cultivation would have been very much increased, and we would have had very much larger exports than we had during those years.

6043. That is not exactly an answer to my question. You say it might have been?—It would have been.

6044. But taking what it was as compared with the low rate of exchange in the past and the high rate of exchange in the past, because you must remember that the figures you quoted just now were for years when there was a high rate of exchange, which you say is not beneficial to India; the rate was upwards of 1*s.* 6*d.* Now taking that 1*s.* 6*d.* period and comparing it with the 12½*d.* period, and then coming back to the 1*s.* 4*d.* period, do you say that in your opinion the export trade of India has been seriously injured by the high rate of exchange—that is by the 1*s.* 4*d.* rate of exchange?—You must remember than in 1894–5 we had a low rate of exchange; then in 1896–7 we had the 1*s.* 4*d.* rate. But what I maintain, and nothing will shake my conviction upon that, is that the high rate of exchange checks the development of trade in India and the cultivation in India.

6045. (*Lord Balfour of Burleigh.*) I understand you to suggest that we should go to 1*s.* 2*d.* now?—Yes.

6046. Why do you fix on 1*s.* 2*d.*?—To try 1*s.* 2*d.*

6047. Do you think that a series of more or less rule-of-thumb arbitrary experiments would be a wise course for the Government of India to take?—What I say is this—I think that if you opened the mints immediately, we shall have a great commotion in India, and several interests may be affected, and as I do not want the India Government to make any more gold loans on this side to increase the debt of India to England by experiments which I am sure will fail, what I say is, let us make an experiment which will not cost any money to the Indian Government.

6048. If it is avowedly announced that this is another experiment, do you not think that the mere fact of that statement being made will tend to prolong and increase the feeling of uncertainty which almost every witness tells us is the worst thing that could happen to India?—Yes, but I think the 1*s.* 2*d.* will help the export trade and the import trade. You speak about the feeling of uncertainty, and you say on all sides that if you have a fixed exchange there

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will be a great flow of capital from England into India. That, I think, is quite an erroneous idea. There will be a great flow of capital from England to India if there are in India good investments. If there are good investments, the capital will go there even with a fluctuating rate of exchange, but if there are not good investments in India or if the investments in China yield more money, then, whatever is the rate of exchange, that will not make any difference.

6049. You will not be surprised to hear that I very humbly and respectfully agree with that last answer that you have given, but I should like to ask you this—whether the mere fact of the uncertainty of exchange is not, in your opinion, a great hindrance to capital going to India, irrespective of all other considerations?—I am very glad that you put to me that question, because I am able to answer it by what we have done ourselves. We have several hundred thousands of pounds in India in permanent investments. When we make them we never take into consideration the fluctuations of exchange or the rate of exchange—never.

6050. If they are really permanent investments, that might be so, but there are other investments which may not be so permanent. Do not you think that when a man has a sum of money to invest he looks at two things—first, the return that he will get for his investment; and, secondly, the certainty, or the reverse, of his being able to get out without loss of his capital?—But what kind of temporary investment can you suggest in India?

6051. Excuse me, I am not in the witness box and you are. If you say that you do not care to express an opinion, I will not press you?—I say the investments in India are these:—You invest money, for instance, in jute presses and jute mills, in cotton presses and cotton mills, in tea gardens, and so on. All that is permanent investment. I do not know any investment that you can make in India which will be temporary. The only investment that I can see of a temporary nature in India is, for instance, when the value of money is dearer in India than here, to loan it in India, and then to bring it back. That is the only temporary investment.

6052. I want to know whether now, having given that explanation, you are prepared to agree or disagree with the suggestion which was conveyed in the question I have put to you. I ask you whether the mere fact of the uncertainty of exchange is not, in your opinion, a great hindrance to capital going to India irrespective of all other considerations?—No. The proof that the fixed exchange has not for its consequence a flow of capital is this: For instance, you have fixed exchange between England and Ireland; still English capital does not flow to Ireland, because it does not find any remunerative employment there, whereas, even with the fluctuations of exchange, the amount of money which has gone to India for permanent investment has been very large. That shows to you that a fixed exchange does not make money flow from one country to the other. But what does make money flow from one country to the other is when there are profitable investments for a great many years, and those investments which we have made in India when the exchange was at 2*s*. have given us much greater profits than when the exchange was much lower.

6053. In the earlier part of your examination by the Chairman, he asked you a question as to your opinion whether or not there was a scarcity of currency in India, and you answered that, in your opinion, there was?—Yes, and I have given proofs of it.

6054. You said you had not asked your correspondents out there for any proof, because you had been too busy; but, at the same time, you went on to give two proofs which satisfied you that there was a scarcity?—Yes, and I have other proofs.

6055. I heard the first proof you gave, but I did not hear the second?—The second proof is that, at Mauritius there was such a scarcity of rupees that the Government of Mauritius was obliged to decree the inconvertibility of rupee notes into silver rupees.

6056. Have you satisfied yourself that there was nothing in the local circumstances of Mauritius which would account for that apart from any question connected with India?—Messrs. Blyth, Greene, Jourdain & Co., who are one of our leading firms, have written me this letter:—"We have the pleasure "to reply to the inquiry contained in your favour "of yesterday, and to inform you that about two "months ago, there was such a scarcity of rupees in "Mauritius that the Government of that colony "found it necessary to decree the inconvertibility of "their note issue in order to arrest the drain of specie "to India. During the past few months money has "been exceedingly dear in Mauritius—the ordinary "rate of interest having reached the unprecedentedly "high rate of 15 per cent., and we have no doubt "that this state of things may be attributed, in a "great measure, to the dearness of money in India. "The relations between the two countries are very "intimate, for they have the same coinage; the "population of the Mauritius is mainly Indian; and "the Island draws from India nearly all its supply of "rice, wheat, and other grain, whilst about half of the "sugar produced on the island is exported to India."

6057. You made no further inquiry in consequence of that?—No, that is a letter from the leading firm in Mauritius.

6058. Was that in answer to a question put to them by you?—Yes. I heard it at the City Club from several friends, and I wanted to make sure that it was the case. The letter is dated 7th May. I must tell you that the Agent-General of Mauritius took steps to send rupees to Mauritius from Calcutta and from Bombay. Whether the decree is in force now or not, I do not know; probably it is not, but the question is whether the rupees will not be again exported.

6059. When you were in Australia did you go very closely into the cost of the production of silver?—In Australia I have several friends, and some of them directors of the Broken Hill. You could not have better information than from such people.

6060. But did you personally go closely into it so as to satisfy yourself that the price you named was the lowest price at which silver could be got out of the earth?—The directors themselves told me so. I had information from the directors; I could not have better information.

6061. I do not want to depend on the directors; I want to know whether Mr. Ralli, with his business capacity, went into it for himself?—No, I relied entirely on my friends' information.

6062. Do not you think that, in the event of its being necessary, economies might be introduced which would lead them to get silver at a lower price?—That I do not know. That was in 1893. Since then I have no information.

6063. If my suggestion is right, of course, it would upset the calculation that you made, would it not?—I do not know. In 1893 that was the state of things, and we see that the production of silver has not increased during late years.

6064. No, because the price has gone down a good deal?—While I am upon silver, there is one thing I must say, and that is this: I have the opinion of Mr. Pixley, one of the leading brokers. I asked him what would be the effect of the Indian Government's proposals if 10 crores of silver were melted and sold in India. He said: I have thought about that, and my opinion is that silver will go to 20*d*. He told me that was undoubtedly so: I said "I asked you because "Sir Samuel Montagu's opinion, as I am infomed, is that "it will go to 22*d*., and I do not agree with Sir Samuel "Montagu. Suppose silver went to 20*d*., you would "depreciate to that extent all the silver and all the "silver ornaments in the possession of the Indians, "which amount to a great many millions sterling."

6065. I see, in a speech which is reported in the Journal of the Society of Arts, in the middle of May, you committed yourself to the statement that the

general opinion in India was that there was a good deal of illicit coinage?—Yes.

6066. Upon what did you found that opinion?—I must tell you again that I have never written to our firm about that, because I do not want their time to be given to anything else but our business; but I have in London taken care to ascertain that. The gentleman who first spoke to me about the illicit coinage was Mr. Brown, of Kilburn, Brown & Co. They got a great many rupees in Calcutta, and their Calcutta firm said: "Our cashier has asked us to do "whatever we can to reduce the amount of rupees "which would be given to our firm, because——

6067. I do not want to take up the time of the Committee or your time by going into detail; but you have committed yourself to the opinion that there is a great deal of illicit coinage. Will you just tell me upon what that opinion is founded?—I tell you upon what it is founded. It has been ascertained by Messrs. Kilburn, Brown & Co. that there is about ½ per cent. in Calcutta.

6068. How was it so ascertained?—Because they receive a good many rupees; they try to take out the illicit rupees, and they find it is about that percentage. You know that in Bombay, lately, a gang of coiners have been found, and they had already coined 60,000 rupees. Another gang has been found in Lahore, and they had an extensive ramification in the Punjab.

6069. (*Chairman.*) Personally you know nothing at all about it except what people have told you?—No, I have read of it in the Indian newspapers.

6070. We happen to have the official statement from the Financial Department in India, and that we should put, and I suppose you would put, higher than any mere gossip about the question?—This is not gossip that I am giving you.

6071. But we have the official statement that there is no excess of illicit coinage?—But there is illicit coinage.

6072. Your answer to Lord Balfour is simply that you have no personal knowledge, but you only speak to what people have told you?—At the Calcutta Mint they cannot detect the illicit rupees from other rupees, they are obliged to have a magnifying glass to do it.

6073. (*Sir F. Mowatt.*) You gave us two pieces of evidence to show that there was a scarcity of silver currency in India at present. One of those struck me very much. You gave an instance of a Moulmein firm who had to pay a large sum of money for their export duties?—Not a very large sum: it was 21,000 rupees.

6074. In order to do that they had to borrow rupees and to pay 20 per cent. interest in order to get the money to pay their duties?—They received the rupees from Calcutta and by the same steamer other rupees came, and those rupees were loaned to the export merchant at 20 per cent. per annum.

6075. The export duty could have been paid in gold?—But where would you find the gold?

6076. They would not have to pay 20 per cent. for gold, would they?—In Bombay, at the time of the crisis, loans were made on gold at 2 per cent. per month.

6077. Now, you mentioned Mauritius; you said that so short was the supply of silver there that the Government had been obliged to cease giving silver against rupee notes?—Yes.

6078. Do you know of any single case in which the Government has not, as a fact, produced silver when a note has been presented?—I have read you Messrs. Blyth's letter.

6079. But do you know of a single case in which the Government have not, as a fact, been ready to produce silver against a note?—Certainly, that is the fact that I have given you.

6080. The ordinance was, I understand, a protective measure against certain possibilities; but, as a fact, has the Government of Mauritius ever refused silver for a single note?—If they had been able to do that they would not have issued that decree.

6081. I want to press you for an answer to that question. Have you any knowledge that the Government have, on any single occasion, been unable, or have refused, to give silver against a silver note?—My answer is, that if they could give silver against silver notes they would not have issued the decree stopping the convertibility of silver.

6082. I am afraid I must ask you for an answer, yes or no. Do you know of your own knowledge that the Government of Mauritius has on any single occasion failed to produce silver for a silver note?—I was not in Mauritius.

6083. You do not know?—No, I say I was not in Mauritius.

6084. You cannot answer, yes or no?—I can answer yes from that letter. I have read you the letter of an eminent firm in Mauritius, that is quite sufficient for all purposes.

6085. It is quite sufficient in so far as it proves that the ordinance was issued, but you put it forward as a proof that silver was so short that the Mauritius Government could not provide silver to meet its silver notes?—That is what Messrs. Blyth stated.

6086. But can you, of your own knowledge, give us any instance in which the Government has ever refused?—I was not in Mauritius.

6087. Now, in answer to Sir Henry Fowler, you instanced a wheat transaction as explaining that the rate of exchange does not enable the merchant to profit; that the profit goes into somebody else's hands and not into the hands of the merchant?—The merchant has his profit.

6088. But the rate of exchange does not affect his profit?—We have, or we try to have, a small commission, that is all.

6089. But with that exception the rate of exchange does not affect the merchant?—It affects him only in one way. As I said in my statement, when there is a crisis and money is very dear, then you can transact business at a greater margin than when money is easy.

6090. In giving us the instance of the wheat transaction, it is now the case that very frequently the wheat is bought before the crop is actually out of the ground?—Certainly, we make contracts with the sellers.

6091. That is at a fixed price?—Oh, no.

6092. How is the price settled?—Our firm telegraphs us, say, from Bombay the price at which we can buy wheat for next year, for April and May delivery. What does that mean? That among the natives there are some sellers whom we consider responsible and who will make contracts with us. If we can find responsible buyers here and, the market is quiet and tending downwards, then we sell, and we telegraph out to our firm there: "We have sold 1,000 "tons of wheat." Then they go to the dealer and make the contract. But the prices vary according to the prices at which we can sell.

6093. But if you buy in advance, you offer a certain price against what time the wheat is delivered?—Yes.

6094. If the exchange falls in the meanwhile, that surely is an additional advantage to the merchant, is it not?—No. We do our business in this way: We do not want to be liable to fluctuations in exchange. We want to do a legitimate commercial business. Then immediately in Calcutta we buy the wheat, say, now for April and May delivery, we secure the freight, then we should go to Mr. Campbell, or his branch in Calcutta, and say, "At what price will you buy exchange for April and May?" He says, "At such and such a price," and if we can find a buyer, and we can secure our freight, we do the business.

6095. But if the exchange falls between the time at which you agree to pay a certain sum in rupees and the time when you have to pay it, is not that a profit to you?—No, because we never go for that. I think the merchant who did what you state would go to the Bankruptcy Court.

6096. (*Chairman.*) You fix the rate of exchange when you fix the price of the contract?—Immediately.

6097. With one of the exchange banks?—Yes.

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6098. In fact they insure you to a certain extent?—We do a large business, for instance, in imports to India. Suppose we sell a thousand packages of Manchester goods to a firm in Calcutta, or Bombay, or Karachi, when we buy the goods our firms there sell the goods in rupees and sell the exchange at the same time, so as to complete the transaction. So that we do not care whether the exchange goes up or down. If we were to leave the exchange open, it would be utterly impossible for us to do business.

6099. (*Sir F. Mowatt.*) You said, I think, that the possibility of a rise or fall in the value of the rupee did not really affect capital being sent out to India for investment?—Not for permanent investment.

6100. But you said a little before that that many persons were now remitting their money home to England because in their opinion the value of the rupee could not be maintained at 1*s.* 4*d.*?—Yes.

6101. That capital, therefore, was not available in India, or was tempted away from India, where it might otherwise have been invested?—Certainly. Those people, for instance, who lend money to banks for fixed periods when they can take the money from the bank, if the exchange is 1*s.* 4*d.*, as the future of exchange is uncertain, they remit it to England. That has been done to a certain extent, but it is only for capital in temporary investment.

6102. Just let me be sure that I understand this. I think you said in your last answer to Lord Balfour, speaking of your own investments in India, that your own investments in India earned a higher rate of profit although the rate of exchange had been higher?—Yes. As I explained to you when the exchange was 2*s.* we invested a good deal of money in India. That money in India did not give us 5 per cent.; therefore, we put to reserve every year a good amount in order to extinguish any loss of exchange. So that, whatever is the rate of exchange since, we do not care.

6103. (*Chairman.*) You have a good insurance fund against any loss?—Yes.

6104. (*Sir J. Muir.*) Perhaps, Mr. Ralli, I know more of your firm than some of our friends who are present, and as I regard you as, perhaps, one of the most important witnesses that we could have before this Committee, I would like to bring out the position of your house a little in detail?—Do not you think that all the gentlemen here know as much as they could wish to know about our firm?

6105. But the evidence is to be published, and it will be looked at closely all over the country, and I should like it made clear what the position of your firm is. I understand that you have branches in Calcutta, Bombay, and Karachi, and in addition to that you have a very large number of agencies established all over India, in the Central Provinces, in the districts where wheat and seeds are grown, and the districts where jute is grown?—Yes.

6106. Will you tell us about how many of those agencies and sub-agencies you have?—Our Calcutta firm has six agencies and 54 sub-agencies; our Bombay firm has 16 agencies and 66 sub-agencies; our Karachi firm has five agencies and 21 sub-agencies. Giving a total of agencies and sub-agencies of 168.

6107. And I am right in saying that you are by far the largest exporters from India?—I think we are.

6108. And in recent years the largest importers of piece goods from Lancashire and elsewhere, only one firm approaching you?—Yes, Grahams and ourselves are the two largest importers; and what is very curious is this, that Grahams are only importers; they are not exporters, and notwithstanding that, they are for low exchanges and open mints.

6109. You very clearly brought out the position of a house in India in the Lancashire and Glasgow business, which is the business of Graham & Co.?—Yes, and yours also.

6110. The position is, that we do not require to enter into any transaction in piece goods or yarn unless we choose. We know the price that we can get in Calcutta; we know the cost in Manchester or Glasgow. Against that we have fixed insurance and freight, and the only open element is exchange which we can fix with the Chartered Bank or any of the other banks, so that we need not go into the transaction unless we choose. Lancashire and Glasgow are in this position as far as exports are concerned, that they need not enter into the transaction unless it suits their convenience and shows a prospect of profit?—Yes; and another thing is, that the idea that fluctuations of exchange have interfered since 1893 with commercial business is preposterous and quite erroneous, because when we make a transaction, then we fix immediately the exchange. There would not be any Indian firm in existence now if they had not done so; they would all have failed.

6111. That is so with regard to imports to Bombay, Calcutta, and Karachi. Then with regard to exports, you have the reverse position. You know the price in London, or wherever you may be going to sell, and you know the price at which you can buy; so that the exporter in Bombay, Calcutta, or Karachi need not enter into the transaction unless he chooses?—Certainly.

6112. Then we come to the class of people who are very largely interested in India, and who were referred to by the Chairman in his questions to you, namely, the tea planters, coffee planters, indigo planters, and others?—And the producers of jute goods.

6113. Precisely. I was sorry to hear that you were not interested in tea?—I am not. You know more about tea than any man in London.

6114. I want to bring to your notice the position of the men who have invested according to the Indian Tea Association 20 millions, and according to the Ceylon Tea Association 15 millions, that is 35 millions of money. That money is sunk in India. Some of these companies have bought large tracts of suitable land for opening out tea upon, in the expectation that their trade would not be interfered with in any arbitrary manner, that is to say, when they secured that land they had no anticipation that the Indian Government were to come down upon them with a 1*s.* 4*d.* exchange. You are an outsider; you are not interested in tea, I understand?—No.

6115. How does it occur to you that the difference between the rate of 1*s.* 2*d.*, which you prefer, and the 1*s.* 4*d.* rate, will affect those trades?—It will help you.

6116. In what way?—Because the rupees which you pay, instead of costing you 1*s.* 4*d.*, will cost you 1*s.* 2*d.*

6117. We gain 2*d.*, in so far as the gain upon our wages is concerned, by the difference between 1*s.* 2*d.* and 1*s.* 4*d.*?—Yes; but what I said is this. I am certain that eventually the Indian Government will re-open the mints; but I do not wish that the Government of India should re-open the mints immediately, because I am afraid of a crisis in India, when all of us, yourself included, will lose a good deal of money. It is for that reason that I prefer to go gradually. Try 1*s.* 2*d.* first.

6118. Now, we have had before us first of all the scheme of the Government of India, and we have two or three other schemes which I need not go into in great detail. I know you have given a great deal of consideration to this subject, and I should like you to suggest to me briefly what you would now indicate as what you would prefer—either Mr. Lindsay's scheme or that of the Government of India?—I think that the best scheme of all, if practicable, will be a gold standard with a sufficient fund in India to exchange rupees into sovereigns, and sovereigns into rupees, at a rate of exchange sufficiently low to develop largely the export trade. But now the question is, What is the amount of gold sufficient to maintain that gold currency in India, and to maintain the convertibility

of rupees into sovereigns and sovereigns into rupees. I was very intimate with the late Mr. Currie and with Lord Hillingdon. Lord Hillingdon had very great experience in banking, and we spoke very often about the gold standard, the more so as he was the brother-in-law of Lord George Hamilton, and I was very anxious that Lord George Hamilton should have City views about the amount of gold wanted to insure the success of the gold standard with convertibility. You are aware that the idea of Lord Hillingdon, as it was published after his death, was that the amount should be 75,000,000*l.* sterling. Well, that is an enormous amount, but there is another great authority, Sir Robert Giffen, and the amount stated by him is 50,000,000*l.* In fact, the amount required according to various opinions is between 15,000,000*l.* and 100,000,000*l.* Now, I say it is no use our discussing a gold standard with a reserve sufficient to insure the convertibility of rupees into sovereigns and sovereigns into rupees, because it is utterly impossible to get such a reserve as 50,000,000*l.*, or anything like that. Therefore, we waste our time in discussing a gold standard. Now, I come to all the other schemes, and I must tell you that I think that every man connected with India, and who is not in favour of the re-opening of the mints, has a gold scheme of his own. They have all gold standards on their brains. I think that all gold schemes which are not based on the convertibility of rupees into gold and gold into rupees, however ingenious they are—and Mr. Lindsay's scheme is very ingenious—are bound to fail, because they do not rest on an automatic system of currency; for instance, take Mr. Lindsay's scheme. He proposes to have in London 10 millions and to allow us to draw from India against that 10 millions at 1*s.* 3¼*d.* Well, what would be the result? We know very well that when the rate of exchange is high the silver price of gold in India is low, and the result is that there is a great inducement for the wealthy natives, who possess very large amount of rupees, to exchange their rupees into sovereigns, and, as a matter of fact, the importation of gold into India has been unprecedented last year. Therefore, what I say is that in no time you will see this reserve drawn from England to India, and the 10,000,000*l.* will disappear. It will also disappear if we have not large crops and large exports. The sellers of Manchester goods will want to remit, and, as in that case the exchange will be low, instead of remitting or fixing our exchange at 1*s.* 3¼*d.*, we should go to the Government and take their bills on London. Therefore, what I say is, it is not 10,000,000*l.* which is wanted by Mr. Lindsay, but four or five times 10,000,000*l.* Now, where is the Indian Government to get that money? As regards the scheme of the Indian Governmont, of course, we are all aware that no man in the City of London will advocate that that scheme should be carried, because, as I said before, if we have to sell in India Rx. 6,000,000 of silver the silver is bound to go to 20*d.*; nothing will stop silver from going to 20*d.*, and you depreciate by the difference between the present price of silver and 20*d.* the value of the millions of silver ornaments in the possession of the Indians, and it will be a great grievance to the Indians. I have an Indian friend in London who is doing very large business. I had heard that the opinion of some officials is that the traders of India are not dissatisfied with the closing of the mints, and I asked the opinion of this Indian gentleman, who is a man in a very large way of business. I have no doubt he is well known to you. He told me, "We consider that the closing of the "mints is much more serious to us Indians than the "food famine, than the earthquakes, than the plague, "and the war on the frontier. You understand that "we Indians, especially under the present legislation, cannot speak; we cannot write, therefore it "is impossible that the officials, should know our "feeling and our opinions, but let me assure you "that there is very great dissatisfaction in India." Now you, Sir John, have interests in India, and you are aware that we have large interests in India, and we are much afraid of this state of things, because there is no doubt that there is great dissatisfaction in India.

6119. Have you any other reason to advance why you consider the Government of India's scheme an unwise one?—There is that preposterous idea of melting rupees. What will be the effect of the melting of rupees on silver, and in further contracting the circulation of India which is already contracted? The contraction of the currency in India is bound to bring a greater crisis than ever. That is self-evident. When this scheme of the Government of India came out in the *Sunday Special*, no one believed that there could be such a scheme until it was printed. All these schemes must fail—every one of them—which do not rest on the convertibility of sovereigns into rupees and rupees into sovereigns. It is exactly the same as if you were to build a very beautiful house with everything that could be wished for inside and outside; unless you have a sound foundation for it, the house must fall.

6120. Suppose the Government of England were to close the English mint, what effect would that have in the City and on England generally?—If the Government did that, it would certainly lead to a change of Government, and, after all, I do not think that that is so bad as what the Government of India did in 1893, because the circulation of rupees in India is by far larger than the circulation of sovereigns in this country, and the natives of India have been accustomed for so many years to a rupee currency.

6121. The Chairman referred you this morning to a prospectus of a tea company which is issued to-day. I just want to draw your attention to the fact that that is not, properly speaking, a tea company, but is a disseminating company, whose promoters rely very largely on the fact that they have a retail trade from which they expect to make considerable profits. 250,000*l.* of first mortgage debentures are being offered to the public at 5 per cent. Now, what do you think of any company offering 5 per cent. for first mortgage debentures at this time of day in the City of London?—If the company is sound, that is very cheap.

6122. I understand you were to give evidence, not only as regards wheat, but as regards jute and other things. Now, as to jute, we know that you are by far the largest exporters of jute, and I think it would be important for us to have your evidence regarding the question of exchange as applicable to jute?—The jute as an export article, you mean?

6123. Yes, jute and cotton, and other exports?—What I wanted to say was this: As regards seeds, wheat and cotton—I do not speak about jute, because jute is the exclusive product of India—but as regards seeds, we have to compete with Russia and the Argentine Republic. As regards wheat, we have to compete principally with the United States, and with Russia and the Argentine Republic. As regards the cotton, we have to compete principally with America. Unfortunately for us, in competing with the United States, from the time the wheat is sown there to the time it is reaped, everything is done by machinery. Then, for a great many years past, there has been a great deal of machinery sent to Russia, and there, too, they use—I do not say everywhere, but in a good many places—machinery. It is the same in the Argentine Republic. That also applies to seeds, but, unfortunately for us, in India the cultivation is about what it was 4,000 years ago. I do not speak of the cultivation of tea, for instance, which is done by Europeans, but we have a great disadvantage in the matter of seeds and wheat as compared with competing countries. As regards cotton, the American crops are increasing every year. We have crops of 11,000,000, and we have a price of 3¼*d.* for American cotton. In Bokhara, which is a competing country as regards the trade with Russia, the seed is changed every year; in Bokhara they do not use the same seed every year; in

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India you use the same seed every year. In that way we are at a great disadvantage. Our only advantage, and that is a great one, is in labour, which is so very cheap. For that reason we must be helped in order to expand exports, and in order to compete with those countries; and the only way I see for us to be helped is by a low exchange. I think that is quite clear.

6124. Then, will you give us your views regarding how the money may be raised by the Indian Government. You have given a great deal of thought to this matter, I understand, and your conviction is that more than a 1*s.* 2*d.* rate will be injurious both to the exports and imports of India. You would reduce the rate from 1*s.* 4*d.* to 1*s.* 2*d.*?—Yes, temporarily.

6125. This will probably cause a deficit in the accounts of the Government of India, and you would propose that, in case of need, they should impose import duties?—Increase the import duties.

6126. On such articles as what?—On all articles, in case of need. What you will have to do is to persuade our Lancashire friends that a prosperous India will be much more likely to take an increased supply of their goods than a decaying India.

6127. We had a great storm in Lancashire some years ago, when it was proposed to impose 5 per cent. duties. As you have already stated, Lancashire can protect itself. Lancashire has not got its mills out in India as the tea planter and the indigo planter have their mills out there; the Lancashire manufacturer does not need to send out his goods, he is not committed to that particular trade, he can just hold his hand, or do something else with his money?—Yes, but that is not a good argument; my argument, as I said, is that we shall sell more Manchester goods with an import duty at 15 per cent. (and 15 per cent. excise duty, of course) to a prosperous India than (without any duty) to an India which is not prosperous.

6128. I was going on to say that, as I understand you, you advocate in case of need, if the Government cannot find funds otherwise, if the rate falls to 1*s.* 2*d.*, an increase of the import duties generally; but, so far as Manchester is concerned, you would have an excise duty as well?—Yes, in order to satisfy Lancashire. If India was autonomous I would not say that there ought to be an excise duty, because India would be governed only for the benefit of India; but, India is not autonomous, and therefore we are obliged, although unwillingly, to take into consideration English interests in India.

6129. In the case of jute and shellac, I think you suggested that there might be an import duty of 10 per cent.?—Or whatever the figure was.

6130. But in that case there would be an excise duty again on the Indian jute mills?—Certainly.

6131. So that Dundee should have no cause of complaint?—Yes.

6132. That is to say, if Dundee had to pay 10 per cent., the Calcutta mills would pay 10 per cent. on their production?—Yes.

6133. How would that contrast with the position of the tea planters to which we have repeatedly referred? The whole of the consumers of jute in this case would pay the export duty?—I think so.

6134. Does not the same thing apply to the consumers of tea?—No, because tea comes from other countries.

6135. But then it presses even more hardly, does it not, on the producer of tea in India than on the jute man, because jute is only exported from India, whereas tea is produced largely in China?—Yes. I will not put a tax on tea, certainly not; we have quite enough to do to compete with China, and when the central provinces come to be under English protectorate we shall have enough to do, especially with exchange at 1*s.* 4*d.*

6136. The rate of exchange is now 1*s.* 4*d.*; you think it should be 1*s.* 2*d.*?—Yes, for the time being.

6137. If Government in an arbitrary manner keep the rate at 1*s.* 4*d.* and carry out the policy that they suggest, does not that difference between 1*s.* 2*d.* and the 1*s.* 4*d.* practically amount to a tax upon the Indian tea grower?—It is a tax, but it is a lesser tax than 1*s.* 4*d.* You tea planters must be satisfied for the time being with what may be granted to you.

6138. My point is this: The difference between 1*s.* 2*d.* and 1*s.* 4*d.* is 2*d.* per rupee. Is not that, practically, a tax upon the Indian tea planter, that is to say, when he sells bills on London to lay down wages to pay his coolies—in the one case he sells at 1*s.* 4*d.* and in the other he sells at 1*s.* 2*d.*, so that he loses 2*d.* in each rupee for the laying down of wages to pay his coolies, and other expenditure for cultivation. The tea planters urge that that practically amounts to a tax upon their industry?—Certainly it is a tax, but I say it is better for you to pay 1*s.* 2*d.* than to pay 1*s.* 4*d.*; you will draw at 1*s.* 2*d.* instead of drawing at 1*s.* 4*d.*, and you make 2*d.* per rupee profit on the wages which you give to your labourers.

6139. The tea planters, you understand, do not object to whatever the rate may be as fixed in the natural course between exports from India and imports; they do not complain of that, whatever the rate may be; they have never complained, and never will, as I understand, complain of that; but what they do complain of is, that when they have sunk these 35,000,000*l.* of capital the Government should step in, in an arbitrary way, and say, Now we will make the rate 1*s.* 4*d.* They say that is a tax to whatever extent the rate is fixed beyond what is the natural course of the difference between the imports and exports. Then it appears to you that that is a reasonable argument?—It is a tax, but I say that 1*s.* 2*d.* is a lesser tax than 1*s.* 4*d.* Do not you think that the planters must join us in asking Government to do what is practicable? The proper thing for the Government to do is, not to increase its gold debt but to leave things as they are, and to try 1*s.* 2*d.*; if you ask too much, you will not be given anything.

6140. Now, one or two questions were put to you which you seemed to think were somewhat of a *reductio ad absurdum*. You said you thought that the rate could not fall below 1*s.*?—The opinions I have taken for the last four years are to the effect that you will have something between 12*d.* and 13*d.*

6141. You consider that it is quite beyond possibility, in ordinary circumstances, for the rate to fall to 10*d.*, much less to 8*d.* or 6*d.*, all which figures were named to you to-day?—Yes; but on that point you have among you the best Indian expert, my friend Mr. Campbell. His evidence would be much better than mine, because he knows all about it better than I do.

6142. We had a witness here who said he could discount bills in the bazaars at 8 per cent.?—When?

6143. When the Bank of Bengal rate was 13 per cent.?—He must be a very clever man, if when Mr. Campbell can get 15 per cent., he should pay only 8 per cent.

6144. (*Sir D. Barbour.*) You think that the decline in the gold value of silver was an advantage to India?—On that point I agree with the Government of India in the opinion that it was a decided advantage to India.

6145. You were asked whether you could state at what point it would cease to be an advantage?—I cannot do that.

6146. Do you think the indefinite fall would be a gain?—An indefinite fall would be impossible.

6147. If the rupee went to 1*d.*?—Of course, you know very well that that is an impossibility. Why should we discuss that?

6148. Do you think it is to be regretted that silver cannot be produced so cheaply that if the rupee went to the silver value, the rupee might fall to 1*d.*?—I cannot see the use of discussing impossibilities. It is all very well when you have an academical discussion, but now we have a practical discussion.

6149. I recollect when men said that it was impossible that the exchange should fall below 1*s.* 10*d.*, and again, I recollect people who said that it was impossible it should fall below 1*s.* 8*d.*; nevertheless it

did fall. However, you say the fall was an advantage to India?—It has been an advantage to India.

6150. Then I asked you what seemed to me to be a very reasonable question; that is, is a continuous fall an advantage, or is there any point at which the fall would cease to be an advantage?—I cannot say at what point the fall will cease to be an advantage.

6151. Then you said that large exports are necessary from India, and that only a low rate of exchange will give large exports?—Yes.

6152. On the question of exports, are there not three main factors that you have to take into consideration—first, the rupee price; second, exchange; thirdly, the gold price?—And the freight.

6153. I will leave out the freight, because that does not depend on exchange. There are those three factors?—Yes.

6154. If the exchange rose, and simultaneously the gold price rose, there would be no check to exports—if the gold price rose sufficiently to balance the rise of exchange?—With the difference that we should have a greater competition with other exporting countries.

6155. But so far as India is concerned, if she gets a higher gold price, a corresponding rise in exchange would not interfere with exports. I am assuming that the one balances the other?—Yes, but the lower the exchange the larger is the amount of rupees that we give to the cultivators of the land.

6156. But the higher gold price would be given just the same. All I say is, if it should so happen that the gold price rose proportionately to the rise in exchange there would be no check to exports?—If the gold price on which we sell rose to the proportion of the rise in exchange, then we should be in the same position; but may I add this. We must bear in mind that we have to compete with other countries. The cultivation of other countries is increasing, and, therefore, as a rule, unless the crops in Europe are deficient, we could not expect higher gold prices.

6157. The gold prices may not rise; I do not say they would?—But they could not rise under normal conditions.

6158. Similarly if the silver prices happened to fall when the exchange was rising, so as to balance the rise of exchange, there would be no check to exports, would there?—Yes, there would be.

6159. Why, if the fall was sufficient to balance the rise of exchange?—There would be a great difference.

6160. Would there be a check in the exports?—Yes.

6161. Why?—Because we should have had to give a low price to the natives.

6162. A lower rupee price, certainly?—That would prevent the expansion of cultivation. For the time being it would be the same, but ultimately it would be very much to the damage of India.

6163. The cultivator would grow less of those articles for export?—Yes, either he would grow less, or he would not grow as much as he would grow if exchange was low.

6164. Do you not think that he would turn his attention to something else?—He must do that or he will starve.

6165. We can hardly assume that he will starve. If he could not make enough money at one product, he would take to something else?—If he can make a living with other products.

6166. Then you said the tea producer suffered a oss of 2*d.* in the rupee, if exchange rose from 1*s.* 2*d.* to 1*s.* 4*d.*

(*Sir J. Muir.*) To the extent of the bills that they sold in Calcutta.

(*Witness.*) What I said was this. If you have a tea garden, and the exchange instead of being 1*s.* 4*d.* is 1*s.* 2*d.*, then for the wages you pay in India you make a profit of 2*d.* per rupee.

6167. (*Sir D. Barbour.*) Now, there is a large quantity of piece goods and yarn exported to India every year?—Yes.

6168. Altogether it comes to about 30 crores of rupees, I think?—30,000,000*l.* sterling.

6169. Now, when exchange falls from 1*s.* 4*d.* to 1*s.* 2*d.*, do not the people who purchase those goods in India pay more rupees for them?—Yes.

6170. In fact, they lose 2*d.* per rupee?—Well, that is not the view that we take. Grahams, who are people of very great capacity, and whose business is in imports, are in favour of re-opening the mints, because, they say: If we have large exports owing to a low exchange, the natives of India make a profit, and by the profit which they make, not only they extend the cultivation, but they increase their power to buy imports. When exchange is high, we sell more piece goods, but that is a temporary advantage; and, in the long run, as we see from the statistics, when the exchange was falling, our business in piece goods was rising year by year.

6171. But the particular question I asked was this: When the exchange fell, they had to give more rupees for their piece goods; is not that so?—But you could not restrict the inquiry to that. What I say is, they are in a much better position to give good prices for their piece goods than when exchange is low, because it gives the buyers the means of buying their goods. What is the use of having a high exchange if you cannot find purchasers?

6172. But supposing the purchaser is a native of India, not engaged in producing anything. Take the case of a native clerk at 30 rupees a month; his salary is not increased when exchange falls?—No.

6173. So that he suffers, at any rate, by having to give more rupees for the cloth which he and his family require?—Yes, but you must see what is the interest of the large majority of Indians. When we abolished the Corn Laws, the landlords undoubtedly suffered, but the bulk of the population is very much benefited. I believe that if the present policy of the Government of India is continued, and if the contraction of the currency continues, we are bound to have a very severe crisis. That is the opinion of the Chamber of Commerce of Calcutta.

6174. I will take it for granted that that is their opinion, but why should that be so?—Because we shall have fewer rupees in circulation than now.

6175. But, on the other hand, as there has been such a very high rate for money, do not you think that people who have money to lend will arrange to provide it in the active season, so as to get the high rate?—Do you mean the natives?

6176. Anybody who has money to lend would rather get 12 per cent. than 4 per cent.?—Yes.

6177. Do not you think that that may help to lessen the amount of pressure next year?—At the beginning of last winter they wrote to us from India that we should have much larger deposits at the Bank of Bengal in Calcutta and the Bank of Bombay in Bombay, because we were not sure that when we wanted to draw out telegraphic drafts we should find the rupees at the banks, because rupees were scarce. Well, if the contraction of the circulation continues, the contraction will be increasing in severity, and we shall have a still higher rate of interest and a crisis.

6178. But if you deposit your money beforehand with the bank, you will anticipate all that?—We deposit at the bank in order that when we buy our produce we may be able to pay for it; that is our object.

6179. But having made that arrangement, you have no further difficulty?—We must keep our balances at the bank larger than we should previously.

6180. But your balances do not cost you 12 per cent.?—Not to us, but to all those firms who are financed by Mr. Campbell, they will have to pay more. Every year the screw is put tighter and tighter, until it ruins the trade.

6181. I daresay you have heard that a crisis only occurs when it is not expected; if it is expected, you can provide for it?—That is always my experience. Last year, at the beginning of the winter, we were written to from India, and told we must prepare for a crisis. We wrote back and said that the crisis

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which was expected never came;—but the crisis *did* come.

6182. (*Chairman.*) And you were ready for it?—Well, we made ourselves ready.

6183. (*Sir J. Muir.*) The crisis came all the same?—Yes. Next year, if it goes on, we must increase still further our deposits at the banks.

6184. To meet the further crisis?—Yes, it may be very serious.

6185. (*Sir D. Barbour.*) You quoted the opinion of the Government of India in 1886?—Yes.

6186. At that time the exchange was about 18*d.*, was it not?—I do not remember. The despatch of the Government of India of 1879 was a splendid despatch.

6187. In 1886 the exchange was about 1*s.* 6*d.*?—Yes.

6188. It fell very considerably afterwards?—Yes.

6189. And was considerably lower when the mints were closed?—Yes. In 1879 the Government points out the evil of any artificial currency.

6190. When the mints were closed there was a danger that the Americans might cease the purchase of silver?—Yes.

6191. There was a danger of a further fall?—Yes.

6192. Of course, the fall being, in your opinion, a good thing, you would not have objected?—No.

6193. In 1886, I think, the Government of India had some hopes of bimetallism. At any rate, they were trying for bimetallism, were they not?—I do not remember.

6194. I think it was in 1886 that the Gold and Silver Commission was appointed?—I do not remember.

6195. In 1893, when the mints were closed, the Government had given up the hope of bimetallism?—I suppose so.

6196. So that things had changed somewhat in 1893 from what they were in 1886?—But those sound principles of exchange are permanent.

6197. What are the sound principles you refer to?—"The Government of India propose that the free "coinage of silver shall be restricted, so that the "rupee shall no longer remain, as at present, simply "a piece of silver of a given weight and fineness, "but shall, in addition to these qualities, bear a fixed "relative value to the English sovereign. . . . . "The proposal appears open to those objections to "a token currency which have long been recognised "by all civilized nations, viz., that, instead of being "automatic, it must be 'managed' by the Government" (that is exactly what the Government has done in 1893) "and that any such management not "only fails to keep a token currency at par, but "exposes the Government which undertakes it to "very serious difficulties and temptations. It "appears, too, that the Government of India, in "making the present proposal, lay themselves open "to the same criticisms as are made upon Governments which have depreciated their currencies. "In general, the object of such Government has "been to diminish the amount they have to pay to "their creditors. In the present case the object of "the Indian Government appears to be to increase "the amount they have to receive from their taxpayers. My Lords fail to see any real difference "in the character of the two transactions. . . . . "If the present level of exchange be due to the "depreciation of silver, the Government scheme, "if it succeeds, may relieve the Indian Government "and others who desire to remit money to England; "but this relief will be given at the expense of the "Indian taxpayer and with the effect of increasing "every debt or fixed payment in India, including "debts due by ryots to money-lenders."

6198. Is that in the despatch of 1886?—No, that is an extract from a letter of the Lords Commissioners of the Treasury to the Secretary of State for India in Council, dated the 24th November, 1879.

6199. That is not the despatch of the Government of India?—It is from the Secretary of State for India on this side. I think those principles of sound currency will be permanent, and nothing can shake those principles.

6200. And those principles would apply equally if the rupee went down to one penny?—As to that, you must ask the Secretary of State, who wrote the despatch.

6201. You said that the principles are the same always, under any circumstances?—I mean the currency principles.

6202. If they are the same always, would not those principles apply equally, though the rupee went to one penny?—Currency principles, of course, cannot alter.

6203. And, therefore, that line of argument would apply if the rupee went to one penny?—I shall refer you to the Secretary of State for India, who wrote that despatch. He is a much cleverer man than I am.

6204. You said that if the 10 crores of rupees were melted and the silver sold, the price of silver would go down?—Yes.

6205. That would be only while the silver was being sold?—It will be as long as the Government of India has got to sell silver.

6206. (*Sir C. Crosthwaite.*) You said that, at the time of the closing of the mints, rupees were not redundant?—That is what I maintain.

6207. And, as a proof of your opinion, you said that if rupees had been redundant they would have been sent back to Europe?—The surplus, yes.

6208. In silver?—Yes, the banks would have sold the silver here.

6209. Just as gold ebbs and flows from Egypt, as you said?—Yes.

6210. Is that a fair analogy?—Certainly; it is the same principle.

6211. But gold is current in Europe. You can take gold to the mint in Europe and get it coined, but you cannot take silver to the mint in India and get it coined?—But you can sell silver in the open market here.

6212. That would lower the price at once, would it not?—What I say is, if the circulation is redundant, the surplus must be exported.

6213. The surplus of silver?—The surplus of rupees or silver; it is the same. Then what would have been done is that immediately they would have sold the silver here, and shipped against that either the rupees or the silver.

6214. Must they not, necessarily, have lost on the silver in doing that? When they attempted to sell the silver here, the price of silver would fall, and the transaction would have resulted, probably, in a loss?—No, it would not result in a loss, because they would have sold silver before that silver was shipped.

6215. You think that would work?—Certainly, and I have the highest opinion in London about that, Mr. Cassell, who is a very high authority in the City. I went to him in order to check my opinion, and it was checked by two other bankers. I went to Mr. Cassell because he knows a good deal about Mexico, and I wanted to compare Mexico with Japan and Chili, and Mr. Cassell told me: "What you said, "Mr. Ralli, is an undoubted fact; no banker can "dispute it."

6216. Is there any instance of any silver coin being sent from other countries, and sold here?—Oh, yes, the Mexican dollars, and so on; millions and millions of them.

6217. When they are redundant?—They send the Mexican dollars here to sell.

6218. But Mexico is a silver producing country, is not it?—Yes.

6219. India is not a silver producing country?—No, but the result would be the same.

6220. You said there was a scarcity of rupees in India during the last two years, and in the interior,

as well as in the big cities?—There must be everywhere a scarcity, because, if there was not, the rupees would not be loaned at 15 per cent. per annum.

6221. But there might for some time be a local scarcity and not a general scarcity?—When I said that the banks were loaning rupees at 15 per cent. per annum, that was done at the same time in Bombay, Calcutta, Karachi, and everywhere.

6222. You have very large dealings in India; you purchase very largely?—Yes.

6223. Your purchases amounting, I suppose, to hundreds of thousands of rupees?—Oh, more than that.

6224. You said you had not had any instances of scarcity from any report made to you by any of your own people?—Well, we cannot have, because we supply our agents with rupees from Calcutta, Bombay, and Karachi, and until we have those rupees we do not buy the goods; so that we do not know, and do not care to know, whether the rupees are scarce in the country or not; but the fact that they are scarce is shown to you by the rate of interest.

6225. But you were able, without any difficulty, to supply your own people with rupees?—From Calcutta, Bombay, and Karachi.

6226. Although the mints were closed you had no difficulty in getting the coin?—No, because the banks were obliged to give us the coin.

6227. You mean that when you go to the Bank of Bombay or the Bank of Bengal they are obliged to give you the coin against your deposits?—Yes.

6228. But if there was no coin, it does not matter what their obligation was; they could not give it to you?—No, but fortunately we have not arrived at that yet.

6229. (*Sir J. Muir.*) Unless the banks paid you against your deposits, they would have to suspend payment?—We take care to have deposits at the Bank of Bombay and the Bank of Calcutta, sufficient for our currency wants for a fortnight. Then when that is expended, we deposit again.

6230. (*Sir C. Crosthwaite.*) What I wanted to get at was this: You, being the largest exporters of produce from India, have not found any difficulty in getting coin to buy your produce?—We could not find any difficulty.

6231. You could not, and you have not?—As a matter of fact we have not, because we provide always for that.

6232. You have provided for these years as well as other years?—Yes.

6233. Now, your proof of this scarcity amounted to one instance which occurred in Moulmein, where a rice firm wanted 21,000 rupees to pay the export duty on a cargo of rice, and could not find the rupees?—Yes.

6234. The name of the firm has not been mentioned, and therefore I may ask you whether the firm was solvent?—Oh, yes, perfectly solvent.

6235. Had the firm already raised money on the cargo of rice?—That I do not know. When the cargo is shipped, of course, they would draw against the cargo.

6236. But the cargo was shipped, I presume?—Of course. They must draw in England to pay for the cargo. The firm is all right in every respect.

6237. But they could not get this 21,000 rupees?—That is what I was told by very good authority.

6238. The export trade in rice from Burmah amounts to over 1,000,000 tons a year?—More than that.

6239. If there had been difficulty in getting actual coins to pay the export duty, one would have expected to find more than one small instance of that kind?—But I have not sought for other instances.

6240. You have not heard of other instances?—No, I have not heard myself.

6241. You said that these rupees came from Calcutta?—So I heard.

6242. I think I am right in saying that the Burma trade is very largely financed from Calcutta?—Yes.

6243. And that every year a large amount of rupees has to be sent from Calcutta?—Yes.

6244. So that there was nothing extraordinary in the money coming from Calcutta?—No; but what is extraordinary is that there should not be sufficient rupees there, and that when the rupees were sent out from Calcutta they were loaned at 20 per cent. per annum.

6245. That may be extraordinary, but it is more extraordinary that it should only have happened, so far as we know, in this one case?—I do not see that, because I have not sought any cases. I have no doubt there must be a good many other cases.

6246. (*Sir J. Muir.*) I daresay you can get more cases if they are wanted?—That is the only case that I have.

6247. (*Sir C. Crosthwaite.*) However, you have been able to carry out your export business; you have not wanted for coins; you have found the rupees to carry on your trade?—Yes, to carry on our trade in that way.

6248. But have you been driven to resort to barter in any cases?—No. A friend of mine, Sir Edward Sassoon, stated in a paper, which he read at the Society of Arts, that there had been bartering; and upon that I went to him and said, "In your own "business, have there been any cases of bartering, "because we have not had any in our business?" He said that he had heard of it, but that he had no case in his own business. I give you that information against me.

6249. You have not had to resort to that expedient?—No.

6250. You have not had to resort, for instance, to beads or bars of silver?—Well, that can be done. Suppose, in the interior, we can sell bar silver at an an advantage——

6251. What do you sell it for?—We may sell it to those people who hoard bar silver or want to make ornaments of silver.

6252. But I mean, what do you take for it?—We would take rupees for it, and we should buy the produce with these rupees. But we have not done that.

6253. If you were to do that you think it would not show that there was any scarcity of rupees?—No.

6254. If you resorted to buying wheat with bars of silver, would not that tend to show that there was scarcity?—It would be a terrible state of things if we ever came to that.

6255. I suppose you know that a good deal of the small village transactions are carried on by barter?—Yes, in barbarous countries.

6256. I mean in India?—I have no experience of that. We always send our rupees from the seaports, or we have to draw at sight from the large markets.

6257. Now, you laid great emphasis on the fact that the low exchange enabled you to give a greater price to the cultivators?—To our sellers, and from our sellers it goes to the cultivators.

6258. Could you give to the Committee from your books a statement for the last 10 years of the average prices that you have paid, say, for wheat and linseed?—No, we do not keep that information; it is no use for our business.

6259. Can you give any statement from your books which would show any proof that when the exchange was low you paid your sellers more, and that when the exchange was high you paid your sellers less?—But common sense tells you that.

6260. You say that when exchange is low you can pay your sellers more, and when exchange is high you must pay them less. You have been in business for many years, and I suppose you have books that you could show to the Committee?—But that is of no use to us. What I say is this: When the exchange is low, of course we give more rupees; when the exchange is high, we give a less number of rupees. We have not here, in Bombay or Calcutta or Karachi, statistics to show that, because statistics would be no use to us.

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6261. Take the statistics of this year; you have been buying largely in this present year?—Yes.

6262. And exchange is 1*s.* 4*d.*?—Yes.

6263. Have you given them less rupees than you gave them, say, when the exchange was lower?—That is exactly the same question that was put to me over and over again by my late friend Mr. Currie.

6264. He could not have put a question to you with regard to this year?—He put it with regard to 1891.

6265. But for this year, 1898, I want to know whether you gave more rupees than in 1891?—1891 and 1898 are on all fours in this matter. In 1891 the crops of wheat all over Europe had failed; in 1898 the same was the case. In 1891 the price of Californian wheat went from 32*s.* to 48*s.* 6*d.* This year it went up from about the same price to 53*s.* 6*d.* The result is that, when we have a great rise, whatever the exchange is, it does not affect the export, and the price which we give to the sellers this year is higher than ever. When your gold price is so much higher you can afford it, but the question is what happens in normal times. Suppose the exchange is 16*d.*, and you are a seller of produce, and I can afford to give you 12 rupees, then, if exchange instead of 16*d.* was 12*d.*, I would give you 16 rupees. It is a rule of three sum. You do not want books to prove that.

6266. I am asking you these questions because we have been told by other witnesses that prices have not risen, and many people assert that prices have not risen in consequence of a low exchange. The cultivator, it is said, does not get any more rupees for his produce under a low exchange than he does under a high exchange?—Those witnesses who have stated that cannot know anything about the export trade or about the trade of India. It is self-evident. You cannot dispute that. Those witnesses did not know anything about it.

6267. Now, you said that the low exchange enables you to compete with other countries?—Certainly.

6268. If you have given it away in a higher price to the producer, how does it enable you to compete with other countries?—Because when the exchange is low the sterling price is low.

6269. Why?—It costs less.

6270. I understood you to say that the number of rupees you got would enable you to pay a higher price to the cultivator?—Supposing the exchange is 16*d.*, and I give 12 rupees; then, suppose the exchange goes from 16*d.* to 12*d.*, I shall give 16 rupees instead of 12, if the price of that commodity in the selling market and the freight remain the same.

6271. That does not explain how you compete with other countries. Do you compete with other countries by lowering your sterling price? When you get a low exchange you say you are able to compete with other countries?—Certainly.

6272. How do you compete with other countries? By taking a lower sterling price?—In this way. If the exchange is low and I can afford to give more rupees to the native, the native is willing to sell to me for lower prices in rupees than he could do if the exchange was high, and then I could compete with other countries.

6273. But you said you gave him more rupees if the exchange was low?—But it is all a question of comparison.

6274. That is how I am taking it. When exchange is high you give the cultivator fewer rupees; when the exchange is low you give him more rupees?—If the price of the commodity in the selling market remains the same, and the freight remains the same, then we give him more rupees.

6275. Now, you say he is willing to take fewer rupees, and that enables you to compete with other countries?—Suppose you were a seller, and instead of 12 rupees I could give you—the price of the commodity and the freight remaining the same—16 rupees. If the price in Europe declines, the native making so much money can afford to sell to me cheaper, and then I can afford to compete with other countries.

6276. That is to say, you lower the price in Europe by competing. Is that what you mean? The advantage of exchange you divide partly to lower the price in Europe and partly to increase the price in India?—I only lower the price so far as to enable me to sell in competition with the United States, Russia, the Argentine Republic, and so on.

6277. It enables you to undersell those countries?—Not to undersell them, but to sell at the market price, because India is a very small country compared with America for wheat. The difference is, in the one case I could not do business and in the other case I can do business.

6278. Now, do you mind telling me with whom you deal—with the actual cultivator who produces the crops or with middlemen?—We deal with middlemen, both in the seaports and in the interior.

6279. Do you not also deal with the cultivator direct?—No.

6280. To whom do you make advances? I think you now do business largely by making advances for delivery ahead?—We make large contracts for delivery ahead.

6281. And you advance money to them?—No, it is only exceptionally that we give advances—small advances.

6282. Do you not, in Cawnpore for instance, advance money?—That would be in very exceptional cases. It would not be safe to do that.

6283. Then those men with whom you deal are not cultivators?—No.

6284. Therefore you cannot say from your own knowledge that the cultivator gets the higher price which you give?—Certainly he does. The more money the middleman gets, the more money the cultivator gets, because there is the same competition between the middlemen that there is between the merchants.

6285. I suppose that you know that the cultivators, most of them unfortunately, are in debt?—Before 1893 the number of cultivators in debt had immensely decreased, and India was never so prosperous as before 1893.

6286. Have you any reason to suppose that the number of the indebted has increased since 1893?—That was the state of things in 1893, because we knew that the amount of debts had decreased. Now, I suppose, they must have increased considerably.

6287. Is it not the general practice of the cultivator to hand over his grain as soon as it is ready to the small dealer?—Yes, he sells to the dealers and the dealers sell to us.

6288. He sells if he is not in debt, and if he is in debt he hands it over?—If he is in debt he has to sell at the market price to the party to whom he is in debt, and he pays in that way his debt.

6289. Notwithstanding that, you think that the higher price reaches him?—Notwithstanding that I am convinced that the higher price that we give to the middleman reaches him, because the higher the price the middleman gets the higher the price that he must give to the cultivator. It is not an option with him; he is obliged by the competition to give it.

6290. I understood you to say that in 1873 you withdrew your rupee capital from India?—No, we did not withdraw anything. What I meant was this: we turned into sterling all our rupees in India. It is very easy to do that, if you want to do that. The National Bank has done the same thing some years ago. We do not want to allow any of our firms in India to speculate on the exchange. Those people who tell you that there has been large speculation in exchanges, and that business in India has been largely a gambling business, do not refer to legitimate merchants. They refer to nothing more or less than speculators in exchange. These people have been wanting exchange to go up, and it has been going down, and they attribute the result to the fluctuations in exchange; it is nothing of the kind.

6291. Why did you do that in 1873?—We saw that the German Government were demonetising silver.

6292. You thought silver would go down?—Certainly, it was evident.

6293. Then it would have been a good thing if the Indian Government had gone on a gold basis in 1873?—Then, I think, the exchange was something like 2*s*.

6294. But it would have been a good thing, you think?—For the Government, yes; but bad for the Indian cultivator.

6295. It would have been better for the Indian cultivator?—No, worse.

6296. If they had gone on a gold basis, I mean?—It would have been very bad for the Indian cultivator.

6297. Why?—Because the decline of silver and the decline of exchange has immensely benefited the cultivator of India.

6298. To be paid in a depreciated coin is a good thing then?—The decline of silver and the decline of exchange has immensely benefited the cultivators of India, and this is stated in the minute signed by the Government of India here in 1886. That tells you exactly what happened.

6299. You instanced linseed as a crop, the export of which had been affected by the rise in exchange?—I did not say that. This year we have had a good crop of linseed, and we must have a good export, I have no doubt.

6300. Linseed, as you are aware, suffers very much in the same way from drought as wheat?—Yes.

6301. The crop of linseed in the last two or three years has been very bad, has it not, until this year?—Until this year, yes; the crop of 1897 was 141,000 tons; in 1896 the crop was 154,000 tons, previously the average was 250,000 tons from Calcutta. I admitted that anyone who argued that because the export from India in 1897 is lower than it was in 1895, the conclusion should be drawn that it was entirely the result of the closing of the mints, did not use a fair argument, because you must take into consideration the drought of 1897 and also the famine and plague and so on.

6302. (*Mr. Holland.*) I understand that you are, yourself, personally against the proposals of the Government of India?—Entirely.

6303. But I think you gave us to understand that some of your partners dissented from your views?—Yes, for the interests of the firm, not the interests of India.

6304. Would you like to tell us what proportion of your partners favour and what proportion are against the proposals of the Government of India?—Some men interested in our firm hold the views which I have explained to the Committee.

6305. But would you say that the majority of your firm are against the Government proposals?—The majority are with me, but some of the gentlemen say that the interest of our firm is that the Government should pursue the same policy which they have pursued hitherto. There is one thing also which anyone who is in India takes greatly into consideration. It is much more agreeable to us to have the same policy as the Government than be obliged to oppose the Government, because our gentlemen in India and out in the interior are in daily contact with the Government officials, and, of course, to be obliged to oppose the Government is disagreeable, not only to us, but to all our people in India.

6306. I think the Indian Government themselves admit that the success of their proposals depend upon the balance of trade being sufficient to pay the sterling obligations. Do you think the monetary stringency at present obtaining in India is having the effect of strangling trade?—Not this year, because we have had very large crops, and the crops will be shipped whatever may be the stringency of the money market, but immediately you have moderate crops or short crops, as a matter of course the high exchange will tell very much against the balance of trade.

6307. But if the monetary stringency has the effect of strangling trade it will be very difficult to maintain the balance of trade?—If you had a reduction of 10 per cent. of the trade, you know what would be the effect.

6308. You contemplate, I understand, ultimately the re-opening of the mints?—I am certain that they will be re-opened ultimately, because whatever the Indian Government does in the shape of a gold standard will fail. It is a question of time; they will be driven to the re-opening of the mints by force of circumstances, and for that reason I think that that must be provided against by a slow process.

6309. You are in favour of allowing each metal, whether gold or silver, to find its natural level?—Yes, I am against the manipulation of the currency, and against any artificial currency for the reasons stated so ably by the Government in the despatch of 1879.

6310. In your opinion, is silver a satisfactory standard for India?—Certainly, I think silver is a very satisfactory standard for India. Consider what was the result of a silver currency for Mexico. Mexico was a bankrupt country in 1893, now it is in a most flourishing state. Then, again, go to Japan; the Japanese are, as a matter of course, far superior men to the Mexicans. Until they had a gold standard their prosperity was very great. Immediately they have gone to the gold standard 4½ millions of the gold currency is exported to Europe. The Japanese Government out of the war indemnity is obliged to send gold to replace the exportation; they are obliged to take measures to restrict their importation, and now there is a large petition in Japan to give a bounty on goods and yarns to China, in order to enable the Japanese to compete with the mills of China, because Japan is on a basis of 29⅛, and China is on a basis of silver. There is actually now a memorial, signed by all the cotton spinners, to the Japanese Government asking for a bounty. Then in Chili the gold standard broke down. In Spain and Italy the gold standard was a failure. Even in Austria, I am afraid it is shaky. In Russia, where they have the gold standard, the Moujiks do not accept gold; they want notes because they are accustomed to notes, as in India people are accustomed to rupees. Every country wants a medium of circulation. The rupee is suitable for India; sovereigns are not suitable. Notes are suitable for Russia, and are preferred there to gold, and so on.

6311. If exchange were to fall and a gap were created in the revenue, you would fill up that gap with extra taxation, as you have described?—Yes, I should rely upon that.

6312. For that taxation you would fix your attention first on the question of the cotton duties. You know how burning a question that is in Lancashire?—Yes.

6313. It was a burning question when it was only a matter of 5 per cent. If you now propose to increase it to 15 per cent., that will raise feelings to a very high temperature, will it not?—That is because in Lancashire they do not understand yet that the greater the prosperity of India the more Manchester goods will be sold.

6314. I do not want to discuss the merits or demerits of it, but you have to deal with the view that Lancashire takes of this question, whether it be right or wrong?—But do you think that in Indian matters we ought to legislate for the benefit of Lancashire or for the benefit of India?

6315. I am not saying whether Lancashire is right or wrong, but you admit that they do take a certain view?—No doubt.

6316. And you will admit, probably, that it would not be very easy to induce a Secretary of State to adopt a policy which ran counter to that view?—If the Secretary of State legislates for the benefit of India, and not for the electoral interests of his party, he will legislate in favour of India, and in favour of a higher duty. You have seen that the Liberal Government maintained the 5 per cent. duty, although they knew that the Lancashire vote would go against them.

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6317. And a good many of their followers were sacrificed?—Yes, but they had the manly courage not to care about losing votes in Lancashire.

6318. You would say, I suppose, that by having an excise equivalent to the amount of import duty imposed, you would not favour India on the one hand, or Lancashire on the other?—Quite so.

6319. But, of course, you will admit that that would increase the ultimate cost of the goods and in that way tend to lessen the demand?—But the higher cost would be easily paid by the Indian population if they are prosperous.

6320. May I ask whether your Manchester partners agree with your views as to cotton duties?—Entirely. Our leading partner was here, and he tells me that he concurs entirely.

6321. (*Mr. Campbell.*) You say you have numerous agencies in the interior of India?—Yes.

6322. But you have taken no pains to get advices from them as to the state of the money market in the interior?—Yes.

6323. Have you provided your agencies with sufficient money for their own purposes?—Certainly.

6324. Did you find in the course of your business, that owing to the stringency of money, you were able to buy produce on better terms?—Of course.

6325. That is to say, that the natives were pressed to dispose of their produce?—They were obliged.

6326. They were obliged to dispose of their produce at a lower price in order to get money?—Yes.

6327. Much of India's industry is carried on with borrowed money, is it not?—Yes.

6328. Dear money and low prices caused by dear money have a tendency, have they not, to check production?—Yes.

6329. And if production is checked, might not that interfere with India's ability to pay her foreign debt?—Yes.

6330. I suppose you consider it essential, do you not, in the interests of India, that she should pay her foreign debt in produce?—That is the only way of paying the debt, she cannot pay it otherwise.

6331. Failing her ability to pay the debt, what would happen?—The debt of India must be paid by the excess of exports.

6332. But suppose exports do not suffice for paying it?—Then India would be in a very bad way, because it will be obliged to increase the gold debt here.

6333. There are two ways of doing it, one is borrowing, which you would consider objectionable?—Most objectionable.

6334. And the other by exporting currency?—Yes, because silver is divorced from the rupee now.

6335. And silver would have to be sold at 40 or 50 per cent. below its face value?—Yes.

6336. You have already told us what you think would be the effect of melting down 10 crores of currency. You have also given us your opinion as to the influence of a high or a low exchange on trade and on the trade balance?—Yes, especially the local trade, which is 20 times greater than the export trade. If you have a high rate of discount in the country you affect most seriously the local trade of the country.

6337. The whole internal trade of the country?—The whole internal trade of the country.

6338. We have heard a good deal about the effect of exchange on trade, and some witnesses have said that the effect of a fall in exchange is only temporary. You do not agree with that?—We have not found it so. In fact, we have only to see the exports of India, how they were increasing year by year while the exchange was falling, and what is curious notwithstanding the continued fall of exchange, the imports of Manchester goods were increasing in India in a greater ratio than the export of goods. That was very curious.

6339. I do not know whether you have followed the trade returns sufficiently to say whether a large balance of trade in India's favour takes place when exchange is low?—Yes.

6340. There are some figures here bearing upon that point. In 1893–94 the balance of trade was only 18 crores of rupees, that was the year that the mints were closed, and then exchange was kept artificially high by the Government refraining from selling their bills. The following year, when exchange was 1*s.* 1·10*d.*, the balance of trade rose to 37 crores—doubled itself?—Yes.

6341. In the following year the rate was still about 1*s.* 1·60*d.*, and the balance of trade was 35 crores. Then exchange began to rise again. In the following year 1896–97 the balance of trade fell to 23 crores. And in 1897–98 when the rate was 1*s.* 4*d.* the balance of trade fell to under 16 crores. Does that indicate to you that the balance of trade follows exchange to a very large extent?—Yes.

6342. I should like to put one or two questions to you as to the effect of the permanence of a low or a high rate. Take the competition of a silver standard country as against a gold standard country in such a thing as wheat. Suppose wheat is 12*l.* a ton in England and exchange is 2*s.*, that would mean 120 rupees per ton in Calcutta?—Yes.

6343. If the price in England fell to 8*l.* a ton and exchange fell to 1*s.* 4*d.*, the Indian seller would still get his old price of 120 rupees in Calcutta?—Yes.

6344. While the English producer was getting 33 per cent. less for his produce?—Yes.

6345. With a heavy fall from 12*l.* to 8*l.* a ton might it not happen that the English grower would be losing money, and could not produce his wheat at a profit?—Yes.

6346. While the Indian grower would still be able to sell as well as he could before?—Certainly.

6347. And that would continue, would it not, so long as the same conditions lasted?—Yes.

6348. While a rise of exchange might again deprive him of that advantage?—Yes.

6349. Wheat exports this year have been unusually large?—Yes, owing to the immense price paid here.

6350. And that has enabled large shipments to be sent forward in spite of the high exchange?—Yes. As I said previously the high exchange could not check the exports.

6351. Simply because of the abnormal state of matters here?—Yes.

6352. But in a normal year when prices fell to their old level the high exchange might tell very seriously?—And will tell very seriously.

6353. Now, as regards the ratio between gold and silver, do you think it would be impossible to establish a gold standard on the basis of 1*s.* 4*d.*?—Yes.

6354. It would mean 15 rupees to the sovereign?—Yes.

6355. You think that gold at 15 rupees to the sovereign is under value?—It is too much for us to pay. We have found it so.

6356. Gold, as no doubt you are aware, has come into India very largely at a higher price than 15 rupees to the sovereign?—Yes. The higher the exchange is in India the lower is the price of gold in rupees and the greater the attraction of gold to India.

6357. Still, the price of gold in India has never fallen to the Government's price?—No.

6358. So that gold can still be exported to India and sold in the bazaars at a higher price than the Government offer for it?—Yes.

6359. You are in favour, under certain circumstances, of a gold standard, if it could be accomplished?—Yes, but I think it cannot.

6360. How would you acquire your stock of gold?—There are two ways of getting gold. If we have a low exchange and good crops, some gold may go to India and the Government would take that gold against rupees, say, at 1*s.* 2*d.*, Or we shall have to make a loan in sterling here to get the necessary reserve.

6361. If you put the ratio low enough, gold might be attracted to India in the course of trade, say, at 1*s.* 2*d.*?—Yes.

6362. Would it not be much more likely to remain there if it were attracted in a natural way than if it were sent out by borrowing money at a high rate of exchange?—Certainly, it would be much better if gold went naturally to India than if we were obliged to borrow here and increase the gold debt of India.

6363. If you make a ratio of, say, 1*s.* 4*d.* and attempt to enforce it by borrowing gold to be sent out, is there not a danger that when you stop borrowing the gold will come back again?—I think the gold will disappear, and very quickly, because the silver price of the gold will be cheap, so that there will be great inducement for the Natives to change their rupees for gold, and also immediately you have short crops and short exports the gold will be exported.

6364. That is to say, gold borrowed and sent out?—Yes.

6365. If gold went out in a natural way, you would expect that possibly a portion of it might come back again during the slack season?—Yes.

6366. Still some might remain?—Yes, as in the case of Egypt.

6367. In the course of a number of years, if that process went on, might not India gradually in the natural way accumulate a considerable stock of gold?—Certainly.

6368. Now, I want just one word about redundant currency. You told us that you do not see any evidence of currency being redundant at the present time?—No, and I think I have proved that it was impossible, before 1893, that the currency should be redundant.

6369. But I mean at the present time?—I see scarcity; I do not see redundancy.

6370. I suppose you would admit that, by contracting the currency in the way the Government propose, they might raise exchange to 1*s.* 4*d.*?—Certainly.

6371. But the effect on trade on account of the contraction, and the dear money caused by the contraction, would be disastrous?—Yes.

6372. And would injure India's production?—It will injure materially both the foreign and the internal trade of India.

6373. If the measures taken to contract the currency and to keep exchange high had the effect of curtailing the trade and lessening the balance of trade in India's favour, would not that tend again to make exchange fall away?—Certainly.

6374. And if the exchange were to be kept at 1*s.* 4*d.* that would have to be followed by a fresh contraction of the currency?—Yes, we should have gone from bad to worse.

6375. Which would injure trade and lead to a further fall, and the thing might go on indefinitely?—Yes.

6376. And the result would be the destruction of India's trade altogether?—Yes, there is no doubt of that.

6377. (*Mr. Le Marchant.*) You were alluding to some illicit rupees. Do you know if the writer of the letter you refer to took the rupees to the Mint to be tested?—I know that illicit rupees have been taken to the mints, and they could not distinguish the illicit rupees from the real rupees. They have at the mint either to use a magnifying glass to find them, or to melt them, because, in the case of some of the rupees that are sent, there is a certain mixture of zinc with the silver, whereas in the real rupees there is no zinc; in some of the illicit rupees there are signs of zinc.

6378. Do you say that some were found by the Mint to be illicit, as containing, when melted, an admixture of zinc?—That is what I was told. But it is known as a fact that when the banks receive rupees to be shipped away to Colombo, Mauritius, and so on, there is always a proportion of illicit rupees.

6379. (*Mr. Campbell.*) A few?—A few. I have reason to think that at the seaports there are not many illicit rupees, but it is in the interior where they cannot be detected. The temptation is very great. There is the difference between 16*d.* and 10*d.*

6380. (*Mr. Le Marchant.*) I was asking as to the particular evidence showing the fact?—The Government knows that there are illicit rupees in circulation. Every one knows it in India. Some coiners have been caught at Bombay recently, and also at Lahore.

6381. I think the evidence of Mr. Harrison was that the mints had practically found no illicit rupees?—The coiners were caught both at Bombay and Lahore. If there were not illicit rupees in circulation there could not be coiners to be caught.

6382. (*Sir F. Mowatt.*) On the other hand, if the coiners are caught, there will be no more illicit rupees in circulation?—If they were all caught; but, of course, you do not catch them all.

6383. (*Sir A. Dent.*) Do you know of any prosecutions?—There was a prosecution in Bombay. It was in all the Indian papers. The Lahore gang was much more important.

6384. (*Mr. Le Marchant.*) You may be alluding to some Farrukhabad rupees that were mentioned here the other day, 60,000 of them?—That was in Bombay, yes.

6385. But those are not current rupees?—No, but you can make Farrukhabad rupees equally well as rupees of India.

6386. My question was whether any had been discovered and had been tested, and proved to be illicit?—Certainly. Every bank will tell you that when they get rupees, in what they get they always find some illicit rupees—some rupees which are considered to be illicit. They cannot detect all of them. I have no doubt that we send illicit coins into the interior; we cannot distinguish them. I have seen at the club an illicit rupee and a genuine rupee side by side and it has been impossible to distinguish them. And there is this curious thing. Last year it was said that there were rupees in circulation of the year 1846. It was said that those rupees had been taken from hoard and put into circulation. Afterwards they discovered that those rupees were all illicit rupees.

6387. You were mentioning that lower prices were accepted by the native producers for produce because of the stringency?—Certainly.

6388. And at the same time that owing to the higher sterling price on this side, producers were getting relatively high prices?—Certainly. What I mean is, and as you are a merchant you will understand it very well, that when the sellers of produce are obliged to pay 20 per cent., and they have a good deal of produce, they are obliged to meet the merchants, and consequently the margin of profit is much greater when you have a stringent market than when you have an easy market.

6389. But, in the result, were the prices paid higher than usual. Perhaps your meaning is that they were lower than could have been obtained with an easier money market?—Certainly. Look at the high prices here. Karachi wheat went up from 29*s.* 6*d.* to 46*s.* Of course, that being so, you can give to the native much higher prices in rupees; but what I mean is, that, though the natives got from the merchants high prices, if the money market was not so stringent and they were not obliged to part with their goods, they would have done better. You know very well that the competition is so great in India that we are satisfied with a little profit. We cannot get big profits in India, it is impossible; but when you have a very stringent money market and a high rate of interest, those firms who have money and credit make a much better business than when money is easier.

6390. It is to the advantage of the capitalists?—Certainly.

6391. I think you said that a high exchange tended to check production, and that it had checked production?—I said that high exchange is bound to check production. That is self-evident.

6392. Did you not say that it had done so already?—In some articles.

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6393. Does the area under cultivation show a tendency to diminish?—I am not ready to answer that, but what I say is, if we had had low exchange the area of cultivation would have been very much more extended. This year the crop of indigo in the Doab and Benares will be very much reduced, because we have arrived at prices which do not pay the cultivator.

6394. There has been a fall in the sterling price of indigo as well?—Yes, but if you had a low exchange, that would have helped it to that extent.

6395. For the time being?—No. I say, if, instead of drawing at 1*s.* 4*d.*, the indigo buyers could have drawn at 1*s.*, it would have given to the cultivator of indigo 25 per cent. more.

6396. And you consider that applies to other countries as well where exchange falls?—In every country where exchange falls they can give in the currency of that country a larger amount.

6397. So that, for instance, Brazil benefits in that way?—I have a friend who does a very large business with Brazil, and he tells me that if exchange had not been so low they could not have exported all the coffee As exchange has been low, they have been able to export a very large crop of coffee.

6398. You think that conduces to increased production there—not merely the mercantile export, but the absolute production of the country?—You mean if the exchange is 7*d.* in Brazil?

6399. Yes, or lower?—As long as the wages are paid in a certain currency, and that currency is accepted by the people, then as long as the Government is not insolvent, it does.

6400. And you hold that those conditions are likely to continue—that wages are likely to remain low?—Where?

6401. In Brazil. I ask that because you have stated that, so long as certain conditions held good, production might be assumed to remain as it is, or to increase. Of course, the question would arise whether those conditions would continue? — I cannot be expected to say that if Brazil gets insolvent it will be good for the country.

6402. You were mentioning Russia. How has production been affected there by the gold standard?—It has increased of late years, but they have not the real gold standard in Russia yet.

6403. But the rouble is maintained at par?—Not at par. It is much lower than what it was. The par was 38 pennies some years ago. Now it is 26 or 27 pence.

6404. But that is maintained?—Yes, with fluctuations.

6405. With regard to the price of the Indian 2½ per cent. sterling loan. You were alluding to the price at which the issue now being made may be taken, and you mentioned 88½?—Between 88½ and 89.

6406. You referred to the difference between that price and the price in 1896, which, for a short time, was about 103?—It went as high as 104. The loan was issued at 103 and it went up to 104.

6407. And that difference you regard as the measure of a fall in the credit of the country?—Yes.

6408. Has there been a similar fall in the sterling 3 and 3½ per cents.?—The comparison I made was this: Consols in 1896 were 113; Metropolitans 2½ per cents., 106½; Indian 2½ per cents., 103; London and North-Western 3 per cents., 124. Now, Consols are 111¼; Indian 2½ per cents. are 88½; Metropolitan 2½ per cents. are 99; and London and North-Western 3 per cents. are 119. What I say, then, is that the Indian credit, measured by those prices, has very much deteriorated compared with other similar securities.

6409. Do you also take into account the Indian 3½ per cents. and 3 per cents.?—I have not examined the Indian 3 per cents. and 3½ per cents. What I wanted to explain was this: Indian Government now makes its loan at 2½ per cent.; well, what was the price of a similar loan issued in 1896?

6410. I observe from the return that Indian 3 per cents. varied at that time between 113 and 115½—let us say 114, as a middle price. They are now a little better than 107. The difference there is practically the same as in the case of the London and North-Western 3 per cent. Debenture Stock. Do you not think that that points to some circumstances of the market?—But you have the test now, the 2½ per cents. You can test the market by issuing a loan; that loan will be taken at 88½ to 89—I do not know whether it will go to 89. Two years ago it was 103 and 104. That is the test. As to the other loans, well, you are not issuing a loan now at 3 or 3½ per cent. in order to test the market.

6411. May not the market price be affected by circumstances such as the amount of existing issues or the extent to which they have been placed in the hands of investors?—The credit of the Indian Government is what they will get to-morrow.

6412. But there may be a difference in the market for one loan and the market for another?—But the same remark applies to 1896–97, when you got 103 and when you got £6*l.* 15*s.* The same remark applies to all. Every time you issue a loan it is a new loan. It was a new loan in 1896, when the price was 103, it was a new loan in 1897, when it was 96*l.* 15*s.*, and for what you got at 103*l.* in 1896, and at 96*l.* 15*s.* in 1897, you can only get at 88½ in 1898.

6413. Apart from that issue, the price the other day was about 91?—Because the issue had not taken place then.

6414. The difference between the 91 and the 103 or 104 you take as the measure of credit?—You could not have sold at 91—the price was nominal, and for a long time past you could not sell the 2½ per cents., there were no buyers.

6415. But as to the 3 per cents. Would you admit that it was possible to sell them at a less difference from their quoted price?—I have not made inquiries about the 3 per cents. The only Indian loan about which I made inquiries was the 2½ per cents., because we have the intention to apply for some, and we wanted to be posted up about the 2½ per cents.

6416. Would you view the 3 per cents. as any test?—In my case the 2½ per cent. was quite sufficient.

6417. In speaking just now of exports and imports, you made some remarks as to a connexion between net exports and exchange. Now, taking exports alone, is the amount larger in years when exchange is low, and *vice versâ*?—That is a question which nobody can answer, because the export depends not only on the rate of exchange, but also on the crops. If you have large crops, you are likely to have a larger export. If you have short crops, you will have lesser exports. But what I mean is, that when the exchange is low it favours exports, increases the cultivation, and must increase the exports, and you will have in the long run larger exports. It is quite misleading to draw conclusions from statistics, proofs drawn from statistics are sure to be wrong somewhere. For instance, 1891 was a very large year, and we had the high rate of exchange. Why? Because we had an immense demand for wheat here, and very high prices.

6418. In fact there are a great many conditions apart from exchange?—Certainly.

6419. (*Sir F. Mowatt.*) Are there any other observations you would like to make in addition to the evidence you have already given?—I have a great deal more to say, but I am exhausted.

The witness withdrew.

Adjourned.

FOURTEENTH DAY.

Tuesday, July 12th, 1898.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The LORD BALFOUR OF BURLEIGH.
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.
Mr. ROBERT CHALMERS, *Secretary*.

Mr. HENRY LEWIS RAPHAEL called and examined.

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6420. (*Chairman.*) You are a foreign banker and your address is 25, Throgmorton Street?—Yes.

6421. How many years have you been in business? Close upon 50 years.

6422. We want to hear your opinion upon two or three points which are before us for inquiry. In your business have you a large connection with the Indian trade?—No, I have not.

6423. With Indian banking?—With all kinds of banking except Indian banking. I have an intimate knowledge of the precious metals and their use, and in fact a practical knowledge of business, more practical than theoretical.

6424. Do you recollect when the Mints were closed in June 1893?—Yes.

6425. Will you tell the Committee what was your opinion as to that course?—It appeared to me that the closing of the Mints was the result of fright occasioned by the cessation of the purchases in America of silver. The exchange, I believe, at that time was 1*s.* 2½*d.*; it had declined a few previous months from a somewhat higher level. It was thought that the rupee might decline to 1*s.* or below. It appeared to me completely the result of fright, because during the decline of silver which began in 1873 till the Mints were closed, the Government of India had been able to pay the increased charges for remittances to England, and yet found that they had had on average surpluses rather than deficits. I believe I am correct in stating that this was so, from 1873 to 1893.

6426. Will you repeat what you said about deficit or surpluses?—I say that on an average the surpluses and deficits almost balanced each other, or if anything showed surpluses. Owing to the increased trade and the prosperity of the country the taxation had been so much greater that the Government could meet the enormous increase in cost of remittances to England. When the Mints closed there was a sudden fall to be faced from 1*s.* 2½*d.* to 1*s.* I will say 1*s.*, perhaps it might have gone lower. That of course would have necessitated fresh taxation of say about 6 crores of rupees. The fall in exchange benefited whom? Only the owners of the land. There is no doubt about this, that if the exchange went from 1*s.* 3*d.* to 1*s.* the owners of the land would have sold their produce for gold and that gold would have been worth in rupees 20 per cent more. Therefore upon the owners of the land should have fallen the Government loss owing to the altered state of the currency. I am quite aware that the land tax is fixed for a certain number of years, but the first thing of importance is that the Government should pay its way and if the taxation had to be raised it should have been raised from the landowners. If the Government of India had been far-seeing, as soon as they saw that silver was declining and declining constantly, if they had insisted that the land tax should be fixed in pounds sterling but payable in rupees at the exchange of the day, or say at the exchange of the last three or six months, the Indian Government would then have been totally independent of the fall of the rupee whether it went to 1*s.* or 11*d.* They would have received so many more rupees from the landowners which would have compensated for the loss in exchange.

6427. Do you mean by that that you think the Indian Government should have raised, say, the land revenue? Taking it that on a certain portion of land the revenue is 50 rupees per year, and that that was fixed when the exchange was 2*s.*, or say 5*l.* a year. Suppose the exchange had fallen considerably, do you mean that you would have raised the rupee rent?—It would practically have amounted to raising the rent. If the tax had been 500 rupees, fixed at, say, 2*s.*, that would have been 50*l.* If the rupee had gone down, say, to 1*s.* 4*d.*, it would have been 750 rupees that would have had to be paid instead of 500; and, after all, it would have been no loss to him, because he would be selling his produce at 50 per cent. higher If his produce were worth 1,000*l.* when the rupee was 2*s.*, he got for that 10,000 rupees. For that same produce, if the rupee had gone to 1*s.* 4*d.*, would not he have got a third more rupees?

6428. But is not there the difficulty that the Indian Government have practically entered into a contract? It is like a lease; they have let the land to him upon payment of so many rupees per annum; and it would seem to me, and I suggest it to you for your consideration, that they are not at liberty either to raise that rent as against the tenant, or to lower it as against themselves?—I know that. It comes to this. You may say that stopping the Mints, and artificially making the rupee 1*s.* 4*d.*, is a breach of contract with the country. The question is this. A certain arbitrary and despotic measure has to be taken. The Government of India chose that of closing the mints and raising the rupee to 1*s.* 4*d.* Now, was it more judicious to do that or to let those people who are benefiting by the fall of the rupee pay the extra taxation in spite of the contract which was entered into? The existence of the Government is of paramount importance. The payment of its debt is also of paramount importance. You must remember that as the tax is raised to-day it is a most unfair tax. The land is valued, and about half the profit goes to the Government and half to the owner. It makes all the difference whether that value was taken when the exchange was at 2*s.* or when it was at 1*s.* 4*d.* The man whose land was valued at the time the rupee was at 2*s.* has an enormous advantage to-day.

6429. Your opinion is that the Government ought to have raised the land revenue?—Yes.

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6430. Now what is the next point?—The loss on the depreciation of the rupee had to be made good somehow or other. The landowners were being benefited by the fall of the rupee and it was for them to make good the loss.

6431. (*Sir F. Mowatt.*) Do you suggest that the rent should have been immediately increased, or increased at the end of the lease in the case of each contract?—I say that if originally when silver began to fall the Government had decided that the land tax should be fixed in pounds sterling, but payable in rupees at the average exchange say of the last three months or the last six months, the Government would have been in a perfectly independent position if the rupee had gone down even to 10*d.*

6432. (*Chairman.*) Would not that be practically establishing a gold standard at once?—I think not. The Government had to provide for a certain amount of gold payments, and out of that taxation they would have secured sufficient to do that, whatever the exchange went to.

6433. Now, that not having been done, what do you think of the policy of the closing of the Mints in the state of things that existed in 1893?—By closing the Mints the Government has to a certain extent taken upon itself the future currency of the country. If you look at other great countries, England, France, Germany, &c., currency arrangements are totally independent of the Government. The position of the Government is to get in taxation, and to see that it gets sufficient, but not to regulate the currency. The Indian Government, destroying a currency which had proved itself most suitable to the country for a great many years—a currency which perhaps is not in itself as good as gold—by destroying it without putting in its place anything, practically took upon itself to keep the rupee up to 1*s.* 4*d.*, not by natural economical laws but by the sheer strength and credit of the Government.

6434. You say it is no part of the duty of Government to regulate the currency of the country. Who demonetised silver in Germany?—The Government only altered the currency, but had nothing to do with its management. Out of the war indemnity, which amounted to a very large sum, they devoted a certain portion to defray the loss in selling a portion of their silver, and acquiring an amount of gold. That done, the German Government had nothing further to do with the currency.

6435. Did they not fix the rates, and what was to be the value of all the coin in the country?—The price of gold was fixed in all the great countries at that time. In France it has been the same ever since I have been in business, nearly 50 years.

6436. Is not the French currency very strictly under the control of the Government?—No.

6437. Is it not under the control of the Bank of France?—Yes.

6438. But the Bank does not make its own laws?—It does not make its own laws, but the law being made it carries it out. In England the terms upon which specie payments were resumed under Sir Robert Peel's Act were defined, but it was left to the Bank of England to carry out the law.

6439. You are referring, I gather now, to the daily working of a currency which had been previously called into existence and enacted by law?—Yes.

6440. Then do you think that the closing of the Mints was injurious to India?—I think the closing of the Mints has been highly injurious to India. In the first place it has deprived it of its currency. You must acknowledge the great increase of production and prosperity in India since silver has fallen. That is not entirely owing to the fall of silver, because the opening up of the country by railways must account for a great deal. Nor can you take the actual figures of the exports as showing the entire increase of trade. The exports have doubled since silver began to fall in 1873; but you must consider that those exports are expressed in rupees and not in sterling. If the exchange had remained at 2*s.*, it would not have represented so many rupees. So that you cannot say that the trade of India has doubled, although the amount of rupees representing that trade has doubled. Still there can be no doubt that India during the decline of the price of silver went on increasing in prosperity and its trade increased. Now comes the closing of the Mints and the subsequent raising of the rupee to 16*d.*, to effect which a continuous stringency in the money market was necessary. Now I ask you, suppose in this country the Bank of England were to keep up the rate at 10 per cent. and everybody knew that, if it eased off during the summer, there was the 10 per cent. rate waiting for them in the autumn, what would be the state of trade and prosperity of England?

6441. Then under those circumstances are you in favour of the re-opening of the Mints?—Decidedly, if it is possible. When I say if it is possible, I mean if the Government of India are able to levy extra taxation equivalent to the loss on exchange. To-day the exchange is 1*s.* 4*d.*, and assuming it went to 1*s.*, the Government would have to find 8½ crores of rupees extra revenue.

6442. The loss on exchange last year at a rate of 1*s.* 2*d.* was 12 crores. When it was at 1*s.* 1*d.* the loss was 14 crores?—I am not speaking of the loss, but the extra loss. I am taking it to-day at 16*d.* It requires 25½ crores of rupees to pay the 17 millions of debt. I say that if exchange went to 12*d.*, it would require 34 millions. Therefore necessarily there would have to be found 8½ million rupees to pay the loss consequent on a fall from 16*d.* to 12*d.*

6443. (*Sir D. Barbour.*) Of course there are other charges. There is the pay of the British soldier and exchange compensation to be allowed to British officials?—That makes it worse.

6444. (*Chairman.*) You thought that extra taxation to the amount of 8½ to 9 crores would be sufficient. I am pointing out to you that it would have to be 14 or 15 crores?—14 or 15 crores; and the land tax at the present day is what?

6445. In 1897 the net land revenue was 29½ crores?—I was under the impression that half the taxation was raised by the land tax.

6446. What your opinion comes to is this. You think that the Indian Mints should be re-opened if possible, and the condition of possibility is the power of the Indian Government to impose fresh taxation amounting in round figures to 14 or 15 crores?—Precisely.

6447. Now, will you tell us what your opinion is of the plan proposed by the Government of India?—The Government scheme is that of continually squeezing the money market—as I said before, not for once, but incessantly—for the purpose of maintaining an exchange of 1*s.* 4*d.* They perceive that as soon as money gets cheap after the shipping season exchange goes down. In chapter 23 of their report the Government admit that the annual payment of 16 or 17 millions sterling has to take place in exported produce, but not a word is said of the effect on trade which this constant tightening of the money market will produce It appears to me that the Government is practically indifferent to all considerations other than maintaining exchange at 16*d.* No doubt they could do it for the time being by squeezing the money market, but it would be at the cost of the prosperity of the country. The whole scheme of the Government is in my opinion so inadmissible that it appears waste of time to pick it to pieces. They say in chapter 21, "If we do what "we want we shall then have practically a currency "similar to that of France." Can anything be more absurd? The French have practically a gold currency. The 40,000,000 sterling of silver at the Bank of France will lie there perhaps till doomsday, but if it were thrown in the sea France would not be the worse for it.

6448. What is the circulation of silver in France?—It is difficult to estimate. Probably a milliard and a half, or sixty millions sterling. In France no great

abundance of 5-franc pieces are in circulation. The circulation is carried on partly in gold and partly in notes of the Bank of France to the extent of about three and a half milliards, but there is no superabundance of silver. When you buy anything you do not receive a lot of 5-franc pieces in the way of change. Practically, France has a gold currency.

6449. As a banker, suppose you drew a large cheque on the Bank of France, are they bound to cash it in gold?—No.

6450. Would they cash it in gold?—No.

6451. They would make you take a certain quantity in silver?—The Bank of France has, of course, accumulated this amount of gold by very careful management. Further, the result has been caused by the immense wealth of the country, and the enormous amount of money which foreigners bring in every year. They have accumulated this gold without being under the necessity, like other countries, of raising large loans. If there arise any great demand caused, for instance, by a short harvest, the Bank of France is always ready to give gold, but if they can get a premium they do not give it at par. For all practical purposes anyone who has a bill on France can, within ½ per cent. or ¾ per cent., reckon to get payment in gold. What has the Government of India got when it carries out this plan? It gets a bi-metallic currency which everybody knows no country can maintain. The silver is sure to drive out the gold. It might be asked, why does not it do so in France? The answer is because France is in such an abnormally favourable position. It is a creditor country; it holds an enormous amount of foreign securities. The amount of Russian loans alone is said to be something like 120 or 200 millions sterling; in fact they are, like ourselves, a large creditor country. It is the pleasure ground of Europe, and foreigners spend enormous sums. Now for the Indian Government to say, "We shall be in the position of the Bank of France," is absurd. If they were in the position of France there would be no necessity, I am sure, for you gentlemen to be considering the currency question.

6452. Have you any other criticism to make on their scheme?—I thought the proposed plan of tightening and squeezing the money market so objectionable, that it was useless to urge other objections. I consider their scheme would be impossible to carry out.

6453. Now do you think a gold currency is feasible in India?—I do not.

6454. Do you think a gold standard is feasible in India?—A gold currency means that all payments are made in gold, and that silver is confined to token money. If anyone defined a gold standard it would be that gold is the standard of all value, and that silver acts as a token for the payment of small amounts. That being so, the Government would have then to reduce the amount of silver in circulation. I believe it is placed at Rx. 120,000,000 or Rx. 130,000,000. That of course would be much too large an amount for token money. If Rx. 120,000,000 or Rx. 130,000,000 suffices to carry on the trade of the country now, token money of that amount would be much too large. The first thing they would have to do would be to reduce it. India would require a very large token currency on account of the smallness of payments, and I should think, perhaps, you may reckon that a third of the silver currency would have to be withdrawn. To do this they would have to find the money by loan. To say that the value of silver would be a partial set-off is, I think, very problematical. The Government say 180,000,000 of silver is produced annually, and to sell another 30,000,000 would make very little difference in the price. But they speak without experience. The smallest amount for which there is no requirement has an extraordinary effect on a market. You had recently a rise in wheat of 50 per cent.; then if you make a rule of three sum you would say there must have been a deficiency of 50 per cent.; nothing of the kind. It was the smallest amount of deficiency from now to the next harvest that brought about the rise. If the Government think that they can dispose of any amount of silver they are mistaken. The fact of the smallest amount of silver coming from India to this country to be sold would paralyse the silver market, and it would be impossible, or practically impossible, to sell it. Besides providing a large sum of money for the redemption of the token money, it would be necessary to acquire a gold reserve. When you come to the question of reserve it is a very difficult matter to say what would be sufficient; but assuming a moderate amount, say 20,000,000*l.* sterling, and adding to this another 10,000,000*l.* sterling for the loss on token money, there would be 30,000,000*l.* sterling to be borrowed; an operation which I think would be a most difficult one to carry out. It could only be borrowed in England, because other countries are not in the habit of investing in Indian securities. In my experience the price at which an Indian loan could be issued for anything like 30,000,000*l.* would be low. Of course, they would not issue the 30,000,000*l.* all at once; but still that 30,000,000*l.* would be required, and the effect of issuing it in instalments would perhaps be greater than if the 30,000,000*l.* were issued at once. If it were known that every four or five months there would have to be a loan, the capitalist class would abstain. Then supposing this difficulty were overcome, and the money found, there would be the question of hoarding. The hoarding that takes place must be taken into account; it is not an imaginary thing. In this country the savings go into savings banks and investments, but in India I believe that is not the case. All the profits they make, and what they save, go into ornaments if not into actual hoarding. The hoarding naturally would not take place in token money, but in gold. Perhaps you may fix the legal tender at 10*l.* as against 2*l.* in this country; you might do that in India, but it is not natural that any man will take a depreciated silver coin when he can get a gold one. Suppose you and I were hoarding, we should not put our money in shillings and half-crowns; we should put it into pounds sterling, which is worth a pound sterling all the world over. For this reason you cannot say what amount of gold would be required. It would be a constant drain; it would not only affect the English money market, which is after all a consideration for the Indian Government, because England is a large absorber of her produce——

6455. However, you think it would be an impossibility for the reasons that you have stated with reference to the amount of money it would cost to do it?—Yes.

6456. Now will you tell us your views on the gold standard without a gold currency?—It appears to me that if a gold currency is impossible, and a silver currency is, if not impossible, yet in view of the enormous amount of extra taxation, practically so, the only substitute is a gold standard; that is to say, the Government taking upon itself, with all its resources and all its credit, to maintain the rupee at the price it may determine, which for argument sake we will take to be 1*s.* 4*d.* I have seen Mr. Lindsay's scheme. All schemes of a gold standard without a gold currency must be on somewhat of the lines of Mr. Lindsay's scheme, but what I do not like about it is the withdrawal from time to time of the silver. He would be constantly withdrawing silver, selling it, and then when money was dear again coining it. I believe the currency in India is none too large; for many years 3½ crores of silver was coined and went into circulation. In 1893 so many rupees came out from different parts of the world and from hoards to be exchanged for bar silver that for the moment it added to the currency of rupees in India; but I believe as the population grows up and as India increases in prosperity, and as her trade increases, it will not only be undesirable to decrease the silver circulation, but it will be expedient to increase it. Therefore, I am against any system which decreases the silver currency.

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6457. But that is not an essential part of his scheme, is it? If I recollect rightly, he only brings it into operation "if the gold standard reserve should "decrease to apprehension point, that is, show a like-"lihood of becoming exhausted." However, that is the danger that you apprehend—that it would contract the silver currency?—If you contract the silver currency there will not be sufficient currency.

6458. But that is the danger that you apprehend from Mr. Lindsay's scheme, that it will involve contraction of the currency?—Yes. I believe it is a mistake on the part of Mr. Lindsay that a large amount of silver could be sold. If, for instance, the reserve should get dangerously low, it is a fallacy to think of sending to England a large amount of silver to be sold, because it could not be sold. As I said before, all these schemes must partake more or less of the same character; that is to say, a large reserve of money and the whole credit of the Government to support it. Before I knew of Mr. Lindsay's scheme, I had a plan which, if you like, I will propound.

6459. Yes, I was going to ask you whether you had any alternative system. We shall be very glad to hear that?—My plan was as follows:—That the Government of India shall through an office, but practically the Government, always buy and sell transfers in England at 1*s.* 4*d.*, but in either case charging ½ per cent. commission. By this means exchange would be fixed and banks and others would not have the fear of loss on exchange if in the active seasons they drew their money over from England. In fact, I think it is very questionable if a bank would think it worth its while to pay the two ½ per cents. in returning to England and getting it out again. In fact, it would establish a fixity of exchange. The Government in London would have to fix 1*s.* 4*d.* as the minimum at which they could draw, otherwise the banks would make a profit out of the Government. There is no doubt that in the dead season the Indian Government in London would not be able to sell its bills. During that period it would have to make transfers, to take the money from the Government account and make transfers from the currency account. There must be a reserve held in England. I should say the reserve should take the form of a credit to issue from time to time up to 15,000,000*l.* of Treasury bills. If those Treasury bills were English Treasury bills it would be much the better. I fear there might arrive a period when it would be no easy matter to dispose of this amount of India Treasury bills. I do not think such a large amount would ever be required; but still there may be a time when a very large amount might have to be issued. If you could get the English Government to allow the issue of their own Treasury bills it would make the plan very much more feasible. Furthermore, I would have at the Bank of England a sum of 5,000,000*l.* of gold to be acquired by degrees. I do not say that this 5,000,000*l.* of gold is essential to the scheme, but it would give an extra amount of confidence, and it would be a protection to the London money market. If money were very tight in London from some cause or other, and the state of credit was not what could be desired, it would be a great thing to have this 5,000,000*l.*, which, in ordinary times, should be kept separate. When needed, it could be transfered to the issue department, relieving the money market. On that ground I think it would be very advisable to have the 5,000,000*l.* of gold. As I said before, I would not recommend the curtailment of the present silver currency. If things go right in India, that is to say, if this currency question gets settled, and trade is not hampered by dear money markets, as the prosperity of the country increases, I feel confident that you will be obliged to add to the silver currency. Of course it will require to be done with a great deal of judgment, and I should propose that the Government have the power to do it, and that any profit which arose from that operation, which would be considerable, should be set apart in gold as a reserve. If, for instance, one crore of extra silver were required each year, at the end of 20 years this reserve would amount to a very considerable sum. Then again, as to the success of such a scheme. It cannot be said that it is a perfect system of currency; in fact it is no system of currency at all; is is a substitute for a position where a currency in either of the metals has been found impossible. What can occur if you have a credit of 15,000,000*l.* in Treasury bills here, and 5,000,000*l.* of gold, that is 20,000,000*l.*? That at 1*s.* 4*d.* would be 30 crores of rupees. To absorb that 30 crores of rupees, this amount must go out of circulation in India. Is it likely that 30 crores could be spared out of 130 crores? Therefore I think that the scheme has a fair chance of success. Mind you I do not admire the idea of a gold standard without a currency, but it is only an alternative scheme when an actual currency either in gold or silver has been found impossible. I had, for a considerable time, doubts whether the scheme might not break down in the event of a war or a mutiny, looking at the worst state of things that could happen in India—but after reflection it occurred to me that at those times money has always poured into India for the payment of troops, &c. Therefore I do not think we need take into account any extraordinary state of affairs in India. I think that under a normal state, this plan would work fairly well; but the Government of India, with the assistance of the English Government, must support it with its entire credit.

6460. At all events you think it would produce a stable exchange?—I think it would.

6461. And do you think that would be an advantage to the trade of India?—I think it would be an advantage in this way—that banking money could safely go to India. At present the banks are working, not with their own capital, but with their deposits, because they fear the loss by exchange. I think it would induce other people also to send money out to India.

6462. It would increase in that way what is called the loanable capital in India?—Yes, the loanable capital would be increased. Eighty per cent. of the trade of India is with England, but as for the 20 per cent. of the trade with China and other silver-using countries, you cannot get over the disadvantage which India will be at with those countries. It is impossible to get over it except you have a silver currency, and then, of course, they would all stand on a par. As to the trade with England, which is 80 per cent. of the total Indian trade, it would be a great advantage to have a fixed currency. Banking money would go out there and by degrees other money. And moreover, bankers, if there was a great stringency in India, could use their London credits, which they are afraid to do now.

6463. (*Mr. Campbell.*) First of all with regard to a gold currency, I think you say that that is impracticable, because the silver would drive out the gold?—Do you mean a purely gold currency.

6464. To have gold as the standard currency and silver as the subsidiary currency?—No, I did not say that. I said if you have the double standard, it would have that effect, but if you make silver token money, that is another thing. I say that in the latter case all the hoardings would take place in gold; no one would hoard token money when he could get a real coin.

6465. Would not that depend to some extent upon the ratio fixed between the two metals?—I do not think that would make any difference. You mean whether it was 1*s.* 2*d.* or 1*s.* 4*d.*

6466. Whether it was 15 or 16 rupees to the sovereign?—I should think the principle would remain the same. As to fixing the ratio at 1*s.* 3*d.* or 1*s.* 4*d.* there is a good deal to be said pro and con. If you fix it at 1*s.* 4*d.* it is so much the better for the Indian Government, and it is continuing a policy aimed at since five years. That policy is practically what I propose now. That policy has till now not been successful owing to the uncertainty of the Government. On the other hand, there are advantages

in 1*s.* 3*d.* This rate would enable India, as a silver country, to the extent of the difference between 1*s.* 3*d.* and 1*s.* 4*d.*, to compete with silver countries, and it would be nearer to the silver value of the rupee, although very far from its actual value.

6467. I think you spoke of India as a debtor country?—Yes.

6468. Of course, you are aware that India, although a debtor country, has hitherto always paid her debts, and not only paid her debts, but has a considerable surplus to get back, which she has taken year by year in the form of gold and silver?—Yes.

6469. I do not know whether you know about the average amount which India takes every year in the shape of gold and silver; it is somewhere about six millions sterling?—Yes.

6470. During the time that the mints were opened she was able to take as much gold and silver as sufficed not only for currency purposes but for hoarding and for other uses to which gold and silver are put?—Yes.

6471. Is there any reason why with a gold currency and unfettered trade she should not be able to do so still?—With a gold currency?

6472. With a gold currency why should not she be able to take sufficient gold to supply her currency requirements and all other requirements?—That is returning to the old question about the gold currency. Firstly, if you have a gold currency which could only be kept up by a gold reserve of very large magnitude, and that raised by loans made in England, the effect on the London money market, would be very bad and Indian produce consequently would fetch in Europe a very much lower price than otherwise.

6473. If the rate were fixed low enough to induce gold to go out to India as currency in a natural way, do you think it would be necessary to raise large loans in order to form a reserve? I will explain what I mean. Last year India took close on five crores worth of gold—imported it—and it was all sold in the bazaar at a higher price than the Government offered. Suppose the gold price had been 16 rupees instead of 15 that price might have attracted it to the currency department?—I am not in a position to say because I do not know India, but I speak from general experience, that when people will have a thing, the dearer it goes the more anxious they are to have it.

6474. That is quite true, but the higher the price the more near you are to the point when people will sell it?—I do not think so. You have had the proof when the rupee went down to 1*s.* 2½*d.*; did the hoarders of gold show any desire to realise it?

6475. During 1894–95, when the exchange went down to 1*s.* 1½*d.* or thereabouts, they exported more gold than they imported?—They did that year, but to a very small extent.

6476. What I wanted to get at was this, whether you think that gold might be acquired without borrowing in the same way as Egypt acquires it?—I do not think you can compare Egypt and India. In fact there are no two countries that you can compare, all the circumstances are so very different.

6477. Egypt now takes annually three or four millions of gold during the busy season and re-exports a portion of that during the slack season. Might not India be in a position to do the same thing?—Have you not been trying it for the last five years?

6478. At a rate of 1*s.* 4*d.*?—But have you any reason to think that if you had fixed 1*s.* 3*d.* there would have been any difference.

6479. That is what I wanted your opinion upon?—My opinion is that it would have made no difference. All the countries that have returned to gold payment have either got large indemnities from war or made loans. Japan and Germany made the indemnities pay the cost of their standard, but Italy, Austria, the United States, Chili, all purchased gold, and we know with what results as regards some of them.

6480. Then with regard to your own alternative scheme, you propose that the Government should buy and sell at 1*s.* 4*d.* with a margin of ½ per cent.?—Yes, I would not fix it large because I think it is better to allow free interchange of money and that would induce people to bring money out to India. Mr. Lindsay fixes his rate, I think, a great deal too high.

6481. You are alluding to the fact that the Government must sell about 17½ millions sterling worth on India every year?—Whatever it is: the blue book says 17 millions, if it is 17½ millions they will have to sell 17½ millions.

6482. For some years the Government have not been able to sell the whole 17 millions at 1*s.* 4*d.* When that occurred they would make a transfer from the currency department?—During certain months out of the shipping season I have no doubt the Government would not be able to sell their bills, but would have to wait till the shipping season commenced. Then I think from all the evidence we have of the balance of trade being in favour of India, there is little doubt that they would sell them. If not one month in another.

6483. Suppose for some reason they did not?—Then they must fall back on the reserve, but 30 crores out of the 130 crores in currency would have to go into the Treasury in India.

6484. By your scheme you propose to commit the Government to maintain the exchange at 1*s.* 4*d.*?—Yes.

6485. Do you think that is not a heavier burden than the Government could undertake with propriety?—It is a sort of Hobson's choice. If you arrive at the conclusion that you cannot establish either a silver or a gold currency, you must do something; the Government of India has taken upon itself the burden of the currency and must maintain it.

6486. (*Mr. Le Marchant.*) You were speaking of the Government selling telegraphic transfers upon India at a minimum rate of 1*s.* 4*d.*?—I mean minimum in this way. They must not sell below 1*s.* 4*d.* It is quite possible that there may be such a demand in India that it might be worth while to pay the Government $\frac{1}{16}$ of a penny more than 1*s.* 4*d.*, which would be equal to selling transfers in India at 1*s.* 4*d.* plus ½ per cent.

6487. If the cost is the same, is there any difference to the public between buying telegraphic transfers such as you describe and sending out gold? Would not the inducement or check in either case be the same?—I should say that the charges would slightly exceed ½ per cent. on sending gold; there would not be much difference, transfers would be preferred to gold.

6488. I wished to compare the principle of your plan with that of the system in force in Egypt under which gold does go out. Suppose, for instance, that gold were used as a marginal currency, would not the same inducement, that is to say, the expectation of being able to get it back at a profit, attract gold to India as well as lead the public to buy telegraphic transfers? Would not the same principle work in each case?—No, I think not. That is why I advocate no higher charge than ½ per cent. on the charge of sending gold out to India. If you fixed ½ per cent. very little gold would go. Supposing there was a demand for remittances on India beyond the amount the Government in London had to draw, it would have to send gold from London and would be guided by the circumstances of the moment whether to part with that gold or to turn it into silver at 1*s.* 4*d.* and so increase the currency in that way.

6489. It would be necessary to provide for an increase of currency in the event of capital going out in large quantities?—It provides for itself because the Government would have so much sterling that they would be obliged to bring the gold out and turn it into rupees there.

6490. You think that that would be simpler than letting the gold go by itself and act as currency?—You cannot judge of India as an ordinary country. I

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should say that the Government hoarding the gold might very likely increase the tendency of the natives to hoard gold.

6491. If it did not pass into circulation?—If it did not pass into circulation, and if it passed into circulation it would be rather a dangerous thing too. But the present idea of the Government of India is not to allow it to pass into circulation. They seem to be of opinion that if it passed into circulation it would pass out soon enough. Therefore, they talk of keeping in this gold till they can safely leave it out. I am judging of the Indian population in the best way I can. If we were hoarders, which fortunately we are not, what should we do? We have to deal with a nation of hoarders, and if they see the Government hoarding gold it would be an encouragement for them to hoard gold I fear.

6492. And that you think is the main objection?—The locking up of 20 millions of gold there without any issue. That is the Government plan.

6493. But is that the main objection to gold passing into circulation?—People who have been in India can speak with a great deal more authority upon the characteristics of the natives than I can. I think that people given to hoarding, when they get an article which is intrinsically worth its full value, will hoard that article in preference to hoarding token coins. True they could do that to-day if they went into the bazaars and bought the gold, but all that involves a lot of trouble, it is much easier when they can go to the bank and exchange their rupees for gold.

6494. You referred to the unwillingness of capital to go out to India. I think you attributed that to the uncertainty as to the future—that the public could have no assurance as to getting their capital back?—I do not know whether the public would send much money out to India, but certainly the banks for many years past, owing to the heavy losses they made when the rupee first declined, have kept their capital over here, and they trade principally with their deposits. There is no doubt that, if they were confident that the whole credit and power of the Indian Government were devoted to maintaining the 1*s.* 4*d.* rate, their money would go out, and they would be able to use credits upon London. That would make a very important difference. Then again, I have no doubt it would attract money out to India from private investors.

6495. Is it your opinion that capital would be so attracted more than if the currency was upon a silver basis? Upon a silver basis there was uncertainty?—On a silver basis you cannot have the same fixity of exchange as when the Government fix the exchange; but I believe if it were possible to return to silver you would have a comparative stability in the price. We have perceived in the last year that the price of silver has varied very little—wonderfully little—and I should think that the variations would not be large.

6496. Still there would be a degree of uncertainty?—The exchange would vary with the price of silver. I do not think there would be the variations seen in latter years. The silver market has been more upon its own basis for the last five years than it was when the price was declining, when America one day was buying up millions, and then afterwards selling it, or ceasing to sell. There is a thing which I forgot to mention, and that is this: If it were possible to open the mints, which, as I said before, depends upon the power of the Government to increase its taxation, there is a means of preventing exchange from falling to the full extent of the value of silver, and that is this: At the present moment the mints give mint notes. The amount of silver which the mint would coin might be limited, say, to 1 lakh or to 1½ lakhs a day. Then the Government might say we will take the first year in case it wanted to coin silver. Therefore, as soon as the mints were open, they would give a mint note for, say, one lakh at 366 days, and the next day at 367 days, and so on. That could be done, and it would limit at first the extreme fall of exchange. But all this is done with the view of ultimately opening the mints freely. At any rate, the first fall might be broken to some extent, because people could send out silver and get a mint note which might be at 400 days. I remember, before the French closed their mints, I believe, the mint notes were up to nearly three years. It would prevent silver flowing in with enormous ease, but that is a detail afterwards to be considered. Of course, if the mints were open to-day and nothing of this sort was done, you can tell what the rupee would be; it would be 11*d.*, but if you make the thing gradual you might establish an exchange of 12½*d.*

6497. Now with regard to any rate that might be fixed. You were speaking of 1*s.* 4*d.*, as the Government propose. Among the conditions which contribute to determining exchange the sending out of capital would be a material condition, would it not; that is to say, if sterling capital is attracted by such a plan as you were mentioning, that would in itself tend to strengthen exchange?—Not if you fix 1*s.* 4*d.* Exchange will always be 1*s.* 4*d.*

6498. But it would tend to maintain it at that; it would be a favourable condition?—The more money that had to go out to India the easier it would be for the Government, and the more confidence they would feel of the success of the measure.

6499. In fact, the extent to which convertibility acted as an attraction would be in itself a new and a favourable circumstance. It would be a new condition to that extent?—As I said before, it would relieve Government of any anxiety about the success of their measure if they found that the number of drafts or transfers they buy upon England is greater than the number that they sell. It would be a proof that the country is getting on and can use money, and might lead to gold becoming naturally the currency of the country.

6500. In fact your plan would offer a new inducement to sending out sterling capital, and in that way would be bringing in a new favourable condition?—Certainly it would give India the advantage of more loanable capital.

6501. It would be a new condition favourable to exchange?—I am not sure that I understand what you mean.

6502. May we not view any plan that induces remittance of sterling capital to India as setting in motion a force which would tend to maintain exchange, so that, if that condition does not exist at present, such a plan would introduce a new condition favourable to exchange?—No, the Government undertakes to maintain exchange and will maintain exchange with all its power and all its resources. As I said before, if it attracts loanable capital to India so much easer will it be for the Government to maintain the exchange.

6503. (*Mr. Hambro.*) I suppose your idea is that if people want to buy more bills on India than Government has rupees in its safes, the Government should buy the silver and mint it?—No; my opinion is that the Government should buy in their discretion either silver or gold. I would take away from the Government the power to reduce the rupees in circulation.

6504. But if they had not enough to pay the bills?—If they had not enough to pay the bills that would be a proof that the country required more, and I should give the Government the power at its choice to send silver or gold. If silver were wanted, naturally the Government would buy silver and send it out as coin.

6505. You would grant the Government the right to do that?—Oh yes, and let it be known that the currency under no circumstances would be decreased.

6506. We have been told very often that there is no want of currency in India, but that there is want of loanable capital, and you say that loanable capital going out would do good. Can you tell me how loanable capital would get to any spot where the rate is 8 per cent. without more currency going there?—Loanable capital certainly could go out there if people

choose to run the risk of an exchange; it would not go if the risk in exchange existed.

6507. It would not go there unless there was more currency, would it?—Not to any large extent—not to an enormous extent.

6508. The Government, I understand, is to guarantee the whole operation; but besides that, it would have 5,000,000*l.* of gold put apart in the vaults of the Bank of England, not in their issue department?—Yes.

6509. I do not quite understand the next part of it. Would you provide that the Government of India should have power to tell the bank that they might put it into their issue department when they wanted?—Yes, if the demand for money here upon Government account came at an awkward moment, a moment of panic or dear money, and it were impossible or difficult to place Treasury bills. I would give the bank power—in fact it might be put into the law—that at any time the rate of interest exceeds in London so and so, the bank should have the power to add that 5,000,000*l.* to the issue department.

6510. (*Mr. Holland.*) I understood you to criticise the Indian Government for not having been far-seeing enough to make their land tax payable in gold and thus avoiding the loss by exchange. That would only apply to settlements that were made since silver began to fall, because you could hardly have expected Government to anticipate the demonetisation of silver by Germany?—As soon as the demonetisation of silver took place in Germany, and the continued fall was a matter of certainty—of course, it is easy enough to prophesy after the event, but I want to point out that if the Government had done such a thing, if it had made the land tax fixed in sterling, but payable in rupees at the rate of the last three or four months, the Government would be in a perfectly sound position, no matter what rate the rupee went to, and, if the Government should open the mints again, I think it is a measure that it might well entertain.

6511. You think in these currency matters that trade considerations ought to take precedence over exchange considerations?—I take the words of the Governor-General that they are aware that the payments of the 17,000,000*l.* must be made in produce, and everything that can be done to increase the amount of produce makes it so much the easier for the Government to pay its debt.

6512. In the suggestions of the Indian Government, do you think they give sufficient prominence to considerations regarding trades, do they not give more prominence to considerations regarding exchange?—They look at the exchange and nothing else.

6513. I understand you are in favour of re-opening the mints if it were practicable?—Yes, I am in favour of a country having a currency. Silver is a worse currency than gold; still it is a currency, and it is there.

6514. Then are we to regard your plan as being a step towards the re-opening of the mints?—What, the re opening of the mints to silver?

6515. Yes?—I should think, if my plan were adopted, it would do away at once with all idea of the mints being opened.

6516. Then we may regard it as an alternative arrangement?—Quite as an alternative arrangement.

6517. And one that may be expected permanently to solve the difficulty?—I say the difficulty has to be solved and solved forthwith, and if you cannot have a gold currency, nor a silver currency, you must adopt some other alternative, and that is the only one I can think of.

6518. Then we may take it that you do not agree with those gentlemen who say that there is no alternative between the gold standard on the one hand with ample gold and a silver standard on the other hand with open mints. You do seek to provide by your scheme an alternative proposal?—Yes.

6519. (*Sir A. Dent.*) About the 5,000,000*l.* of gold that Mr. Hambro questioned you upon; could not that be kept on current account in the Bank of England? I do not see why it should be put away in the way you suggest?—It is always as well to have a reserve, which will do away with the necessity of forcing the issue of Treasury bills in case of untoward circumstances.

6520. But with a current account in the Bank of England you can always pass a cheque upon it?—But it would be the same thing. This would increase the reserve of the Bank of England.

6521. That would not increase the reserve; it would be kept in the vaults?—But when it was brought back to the issue department I would publish it, and in a time of great difficulty the bank would determine not to issue the Treasury bills but wait till their reserve has increased.

6522. It would be a nest egg. Now, about the re-opening of the mints. Do you not think it would be possible for the Government to control altogether a re-opening of the mints, not to allow silver to be sent in by anybody, but to limit it and to keep it entirely in their own hands?—That would not be re-opening the mints; you would be giving Government power to increase the amount of silver.

6523. (*Chairman.*) The Government have that power now?—They have that power now, but they exercise a reverse power, or they want to exercise it.

6524. (*Sir A. Dent.*) That is so, but supposing money got very dear, say 8 or 9 per cent., then the Government, I suggest, might be compelled to coin the silver that was brought to their mints?—If the treasury there, owing to the demand for money to be drawn from London, were exhausted, the Government would be obliged to send out either gold or silver. If there was a demand for silver, and the treasury was exhausted they would send out silver and coin it. If there was a fair amount of silver in the treasury they would say, "Well, we "will either send out gold or we will keep gold ready "to send out," or if they found it expedient to put gold into circulation they could do that. I mean to say, events alter. You cannot legislate for futurity. There was only one man who ever legislated for futurity and that was General Washington. Of course things may change in India by degrees. You must leave something for discretion.

6525. I want to arrive at some process by which the Government should be compelled to coin silver when the presidency banks could not lend out money at a reasonable rate of interest?—They would not coin it at those times.

6526. Your scheme is like the Government proposal and like Mr. Lindsay's scheme in that it suggests an exchange of 1*s.* 4*d.*?—Yes.

6527. That consideration would not get over the difficulty that the planter complains so much of?—No, nothing can get over that difficulty. The planter has to compete with all the silver countries, and must have that disadvantage.

6528. You think that he must be sacrificed for the common good of India?—In everything, what is one man's food is another man's poison. You cannot get over that fact. We in England have difficulties to surmount in regard to protective tariffs and bounties.

6529. (*Sir C. Crosthwaite.*) In criticising the Government of India's scheme, you said that it was based on squeezing the money market or contracting the currency?—Yes.

6530. Did you allow sufficiently for the fact that they proposed to sell rupees to anyone who would bring gold; and therefore they have provided that method of increasing the currency?—I pointed out to you that no one will bring loanable capital to India, because, if they bring it when money is dear, they know they will lose in exchange more than they make in interest.

6531. Is it the fixing of the maximum or the apparent fixing of the maximum—because no maximum was fixed—is it that which you think would prevent their scheme from working?—The scheme that they have now is very much the scheme that I

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recommend. My scheme takes precautions for reserves in London; why their scheme does not work to-day is that the world does not know what the Governments ultimate plans are as regards currency. When it is decided what is to be done, there will be greater confidence.

6532. What is wanted is certainty and confidence?—Yes.

6533. As to Mr. Lindsay's scheme, the withdrawal of silver from the currency under Mr. Lindsay's scheme is automatic is it not?—I believe so. When there is an abundance of silver it is to be sent over to England to be sold, and when they find that that abundance is disappearing the silver is to be brought back. His scheme would be practically this, in certain months he would be melting silver and in other months he would be coining silver.

6534. As I understand the scheme, the silver is withdrawn from circulation when people buy bills on India?—Exactly.

6535. The melting is merely incidental?—No, he wants to turn it into gold. You can only turn rupees into gold by melting them and selling the silver.

6536. But what I mean is the withdrawal from the currency takes place automatically when the bills are brought, and that need not imply any danger point to the reserve which would induce him to sell silver?—Practically you will find, if the reserve were all absorbed and he were to send over here a million's worth of silver, he could not sell it.

6537. You pointed out the great prosperity of India during the term from 1873 to 1893, when silver was falling. Have you taken into account the fact of the great extension of railways?—Yes, I mentioned that.

6538. And the opening of the Suez Canal?—Undoubtedly. As I have stated before, the prosperity, although great, is more apparent than real, because, as the exchange declined, the exports being reported in rupees, there was a greater number of rupees. Still I think the prosperity of India in those years is generally acknowledged.

6539. You said the increased amount of produce makes it easier for the Government to pay its debts. That is obvious, but is it not necessary that the sterling money received for the produce should remain the same?—If the sterling price keeps up, of course it is good for the Government.

6540. And for the country; that is to say, a larger amount of produce might not pay the debt, if the sterling price had fallen very much?—No.

6541. Do you think that the low exchange has tended to lower the prices of Indian produce in the European markets; we have been told so by several witnesses?—I think it would be travelling into a big question if I were to attempt to answer that.

6542. (*Sir David Barbour.*) You have pointed out that between 1873 and 1893 the surpluses quite balanced the deficits in Indian finance?—Yes, I quoted you.

6543. Do you mean to deny that there were several financial crises between 1873 and 1893, owing to the fall in exchange; do you say that the Government had no difficulty arising from the fall in exchange during that time?—Yes, they may have had temporary difficulties, but this was over a series of 20 years. I did not say that they had surpluses at all times, but I say the balance was in favour of surpluses over deficits, taking the 20 years. I did not say that there were not some years when there may have been deficits, but I was talking of the average.

6544. You admit there were difficulties between 1873 and 1893 owing to the fall in exchange, or do you assert that no difficulties arose from the fall in exchange during that time?—Difficulties, I have no doubt, would arise. Difficulties arise to everybody during life, and they do not spare a Government; but I should not think it is owing to the fall in exchange.

6545. You think no difficulty had arisen from that cause?—A big fall in any one year will temporarily incommode the Government.

6546. I do not know whether you are aware that in 1893–94 there was a considerable deficit owing to the fall in exchange?—A previous deficit?

6547. No; a deficit in the estimates of 1893–94, the particular year in which the mints were closed. For the year 1893–94 the estimates showed a deficit owing to the fall in exchange?—Compared with the previous year?

6548. Taking the revenue and expenditure of that year and comparing them, was there not a deficit?—It will be found that in 1893–94 the exchange was lower than it had been in 1892–93.

6549. I merely ask you whether you are aware that the estimates for the year 1893–94 ——?—I have not gone into the estimates.

6550. They may have shown a deficit, for anything you know?—They may have. I have only taken the best authority I could get.

6551. You say that between 1873 and 1893 the surpluses balanced the deficits. All I ask you is, whether there were any difficulties during that time owing to the fall in exchange?—I have no doubt there were. The Government would be temporarily in deficit owing to the fall of exchange in any one year.

6552. In 1893 there was what you call a fright, but what I consider a reasonable apprehension, that the stoppage of the purchase of silver by America might cause a further fall in exchange?—It would have caused it, undoubtedly.

6553. You have made a suggestion about the land revenue. I do not know whether you have considered the possible political dangers of fixing the land revenue in gold in the way you propose?—I am aware of that. Of course that is a political question. The danger of closing the mints was also great. Both remedies were dangerous. It was a choice of evils.

6554. You have no practical experience of India yourself?—No, only from reading.

6555. If any country over-issued inconvertible paper and wanted to get back to a metallic standard, would it be a reasonable course to reduce the over-issue of paper?—Of course.

6556. But might not that contract the currency, and produce great evils?—If it is not done wisely and carefully, but it has to be done.

6557. You said that if India had a gold currency the gold would very likely be absorbed by the hoards of the people?—As I said, I have no knowledge of India, but people given to hoarding will be more likely to do that.

6558. In that way you seem to apprehend that the gold currency would not last?—It would disappear.

6559. India had a silver standard and a silver currency, and in those days the people hoarded silver rupees. Why did not the silver currency disappear?—There was a constant accession to it. If you look back you will find that for many years there have been so many pounds sterling worth of silver sent out to India.

6560. You mean that as people hoarded rupees more rupees were coined?—I suppose so.

6561. If gold is hoarded, why should not more gold go out and be coined?—I daresay it would, but it would occasion a low price for Indian produce here. You cannot have in circulation gold and silver at the same time. People will take the gold, and they will pass on the silver, which is intrinsically worth 40 or 50 per cent. less.

6562. We have had evidence here that both gold and silver are in circulation in Turkey. I have no knowledge myself of the state of things there; I do not know whether you have?—No.

6563. We were told there was about as much silver as gold there in circulation?—But the Turks are not given to hoarding. In every country the habits are different. I should say from what I have read that India is different from all other countries.

6564. You went so far as to say that you believed that all the profits and savings in India are hoarded. Is not that going too far?—I mean practically. They

do not buy Government stock to any extent. I think there is no savings banks business, or practically none.

6565. There is a savings bank in every post office?—That, I think, amounts only to about 10 crores.

6566. I do not know whether you are aware that, on account of the danger of holding so much money at call, the Government had to reduce the rate of interest so as to reduce the deposits in savings banks?—It depends on what their own stock yielded. I suppose that was only just as our own Government might find it necessary to reduce the rate of interest; they would not give 2½ per cent. if they could only get 2 per cent.

6567. But in India there was another reason; that on account of the danger of holding so much money at call in a place like India, which is very different to England, the Government had to try to reduce the deposits?—That may be. The Government, of course, knew what was best to do under the circumstances.

6568. I do not want to press the matter too far, but do you not think it is much too strong a statement to say that all the profits made in India are hoarded?—I mean practically. The Indian people debar themselves from the ordinary uses of money which prevail in other countries.

6569. I do not know whether you are aware of it, but you may take it from me that there is a great deal of money lent by Indians?—I know there is, and there is a great deal of usury, I believe. I do not know whether you consider that a desirable state of things. I should like to know what the interest is in the interior of the country.

6570. Then you said that you think that if the Government hoarded gold the people would go in for hoarding gold?—I think, if they see a large hoard of gold on the part of the Government, it would be likely to encourage them to hoard gold.

6571. But do you not think that most people in India would not have the slightest idea what the Government were doing?—In many parts I am told that they do not know that the mints are stopped at all.

6572. The scheme you propose is very much the same as Mr. Lindsay's, is it not?—It is very much the same. As I said before, all these schemes must have a great deal of sameness. But I prefer fixing the difference between buying and selling sterling closer. I prefer it to be given out that the silver currency will in no case be curtailed, and that, on the contrary, if the Government find it necessary to increase it, it will be increased. I think that would have a tranquillising effect.

6573. You would have a branch or an office in India which would sell bills at 1*s.* 4*d.*, charging half per cent?—Yes.

6574. What would you do with the rupees received for those bills?—They would go into the Treasury.

6575. But would you lock them up or put them into circulation?—A day might come, and would come in the busy season, when the rupees would be required.

6576. You would treat the rupees in the same way as Mr. Lindsay proposed, except that you would not melt them; you would keep them?—Precisely.

6577. You say you do not think that more than 30 crores would come out of circulation in this way?—If in a country like India the circulation is only 130 millions, it is very difficult to think that 30 millions could come out.

6578. But withdrawing money in that way, would it not be for the time being a contraction of the currency?—It would be an automatic contraction; it could do no harm. It goes into the Treasury when money is not wanted, and it would come out when money is wanted.

6579. It would be a contraction whenever the exchange tended to fall below 1*s.* 4*d.*?—Exchange could not fall below 1*s.* 4*d.* if the Government were pledged to maintain it.

6580. But tend to fall?—If you have no system by which you fix exchange, exchange is sure to fall when money is easy.

6581. And at that time the money would be taken out of circulation under your scheme and locked up? It would go into the Treasury when not required, and would leave the Treasury where it was required.

6582. But at any rate, at some particular time the money would be locked up in that way. You say it would be locked up at a time when it was not required?—It would go in and come out. When it is not wanted it would go into the Treasury, and when it is required it would come out.

6583. But except for the purchase or sale of bills it would not come out?—It should not be used for any other purpose.

6584. Do you think it possible to have an exchange of 1*s.* 2*d.* in India with a rate of discount at 12 per cent?—Under the present system?

6585. Under any system?—I should say it is possible.

6586. If your scheme were introduced, at such a time money would be produced to buy bills at 1*s.* 4*d.*; assuming your scheme were introduced?—Then you assume that you prefer to fix it at 1*s.* 2*d.*

6587. No, I merely ask, assuming exchange at 1*s.* 2*d.* and the rate of discount 12 per cent., and that your scheme was introduced at 1*s.* 4*d.*, would not money be immediately produced to buy bills at the rate of 1*s.* 4*d.*?—I do not understand you. You would not fix the scheme till the exchange went to 1*s.* 4*d.*

6588. The question is purely hypothetical, of course?—You say, owing to some cause or other, the exchange went to 1*s.* 2*d.* and money was at 12 per cent., and that suddenly this scheme was introduced. But you could not do that. Why should you?

6589. You would not do it?—I should not do it then.

6590. In fact, the rate of exchange to be fixed under your scheme would be something like the normal rate of the day?—The normal rate of the day, which has been the talk of the last five years, as the rate to be fixed.

6591. Now, if your scheme of gradually working down to a silver standard were introduced, not allowing the exchange to fall the full extent at once, what do you think would be done with banking capital in India in the meantime; would it remain in India or would it be sent home? Suppose exchange is nearly 1*s.* 3¾*d.* and people get to know that in the course of three years it would be down to 1*s.*? what would the bankers do with their money?—It is very questionable whether it would be down to 1*s.* You allow nothing for the rise of silver. Silver may rise as well as fall. You have taken no account of a possible rise of silver.

6592. But would there not be a tendency to remit banking capital from India if it were known that exchange was going down steadily for the next two or three years?—Undoubtedly, but I think after two or three years the exchange would be steady; steady at what point I am not prepared to say, whether 12*d.* or 11*d.*, but after that I should say it would remain comparatively steady.

6593. I do not challenge that at all; it is merely a question of what would happen in the interval. At present there is a scarcity of banking capital in India, and if it were known that during the next three years the exchange would fall steadily, might not that scarcity be aggravated?—Well, it might not be relieved. People might not send out their money, but if you open the mints silver would be certain to go out there. You could not keep it back. You might just as well open the doors of a lock and tell the water not to advance.

6594. If you open them a little bit at a time?—Well, that is what they generally do. It is best not to open the lock at once.

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6595. (*Sir J. Muir.*) We had before us yesterday a very important witness—I think he is well known to you—Mr Stephen Ralli ?—Yes.

6596. You are aware that he is the largest exporter from India, and practically the largest importer of piece goods and yarns. He has formed, as perhaps you are aware, a very strong opinion that the rate of 1*s.* 4*d.* will entail serious loss in India, and his idea is a 1*s.* 2*d.* rate ?—Yes.

6597. If I understood you aright, you refer to the action of the Government of India in raising the rupee to 1*s.* 4*d.* as an arbitrary and despotic measure ?—No; I call the closing of the mints an arbitrary and despotic measure.

6598. The closing of the mints with the object of raising the rupee to 1*s.* 4*d.* ?—Well, yes.

6599. You regard the closing of the mints as an arbitrary and despotic measure, the object of the Government being to raise the value of the rupee to 1*s.* 4*d.* ?—No, I do not think that. The object of the Government was to prevent the rupee declining, and consequently increasing their loss on exchange. They wanted to stop the loss on exchange. Do you want to know my opinion of Mr. Ralli's scheme of 1*s.* 2*d.* ?

6600. Yes ?—At 1*s.* 2*d.* the Government would still have to find the difference between 1*s.* 4*d.* and 1*s.* 2*d.*, which would be enormous; 1*s.* 2*d.* is in many respects a more natural rate, as being nearer to the intrinsic value of the rupees, and it would make the competition with silver-using countries not so great; but you would have the initial difficulty of finding a large increase in the revenue, because the difference amounts to five crores, I think, or something like that.

6601. You are aware that Mr. Ralli has a means whereby he proposes that that deficit should be met ?—I have not seen him of late.

6602. You are aware that there has been exceeding stringency all over India. Do you know what the Bank of Bengal rate was advanced to during the last shipping season. It advanced to 12 per cent., or beyond that, and the Bank of Bombay rate was 13 per cent., and the Bank of Madras rate was, part of the time, 12 per cent., and part of the time 13 per cent. ?—Yes.

6603. Possibly you are aware that the merchants of India and London fear very much that there will be even greater stringency in the coming shipping season. Now, are not those who have sunk a large amount of their capital in Indian trade placed in a very unfortunate position by the action of the Government in this arbitrary and despotic manner closing the mints, and forcing them into the position of having to pay 12 per cent. for their money to carry on their business ?—Yes.

6604. If I understood Sir D. Barbour rightly, he referred to the Government officials in India having received compensation in respect of the heavy fall that had taken place in the price of the rupee. But of course you are quite aware that that heavy fall—"the vanishing of the rupee," as the officials liked to call it when I was in Calcutta—came about by natural means, and yet the Government of India felt that it was a severe loss to these officials, and they devised a means whereby some compensation should be given to these officials ?—Yes.

(*Sir D. Barbour.*) Partial compensation.

6605. (*Sir J. Muir.*) Partial compensation. Now, the Government feeling that it was their duty to provide partial compensation for a loss that had been brought about by natural means, that is to say, cause and effect, imports and exports, and so on, would it be out of place for the Government of India to provide some means of compensation for those who have been injured by this arbitrary and despotic measure ?—I think you would find that they would all have been injured if you offer compensation.

6606. (*Sir F. Mowatt.*) I did not quite understand at what stage of the depletion of the reserve in the Government office should the Government commence drawing on the five millions in the bank. Should you first of all exhaust your reserve altogether, and then draw on the other reserve ?—I suggested that Treasury bills should be issued; and the gold transferred to the Issue Department of the Bank of England only when difficulty occurred in placing Treasury bills.

6607. (*Chairman.*) Under your scheme do you propose that gold should be a legal tender in India ?—Yes.

6608. At this time you know it is not a legal tender ?—The reverse is the case; you can get rupees for gold, but not gold for rupees.

6609. For gold you can get rupees at 1*s.* 4*d.*, but gold is not a legal tender in India for a debt or for taxes ?—Is not that practically the same ?

6610. Some of the witnesses we have had before us think it is not ?—It is quibbling over terms, it seems to me. If you send out 1,000,000 sovereigns the Treasury undertakes to give you 15,000,000 rupees. All you have to do is to go through that process. The Government, for its own convenience (perhaps they might be short of silver), might decree that sovereigns should be legal tender at 15 rupees to the sovereign. That would not do any harm.

6611. It is not an essential part of your plan ?—But they are legal tender so far that you can take your sovereign and get 15 rupees at the Treasury and circulate them. It prevents a lot of formula in sending in rupees, but to all intents and purposes they are legal tender.

6612. Would it not be a practical difficulty in a country like India ? I do not say that in Bombay, Madras, or Calcutta, it would not be easy to effect the operation you mentioned, to take your sovereign to the bank and get rupees, but do you think gold should be made a legal tender throughout India ?—That is really a detail. Practically, in the great cities where rupees are wanted in large amount they are obtainable, and in the outlying parts of India, most likely, if people saw a sovereign they would not take it. In the same way a 5*l.* note is legal tender here, but no doubt you have been to some parts of England where they would not take a 5*l.* note.

6613. You do not attach any importance to this either one way or another ?—I do not think it is essential.

(The witness withdrew.)

Sir SAMUEL MONTAGU, Bart., M.P., called and examined.

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6614. (*Chairman.*) You are a bullion merchant in London ?—Yes.

6615. How long have you been in business in London ?—A little over 50 years.

6616. You are, I think, acquainted with both the coinage and standards of most parts of the world ?—That is so.

6617. Had you any opinion as to the closing of the Indian mints ?—I thought it was an absolutely necessary measure.

6618. Why ?—Because India was receiving the refuse silver from all the world. It was the only outlet for silver except China and Japan. India was receiving a metal which she could never resell readily, and I thought you had no option but to close the mints.

6619. Have you formed any opinion as to what the effect upon the monetary condition of India has been since the closing of the mints ?—I think all the mischief has arisen from want of confidence in the maintenance of the exchange. Otherwise I think the closing of the mints would have been a very satisfactory measure for all classes ultimately.

6620. You are aware that there was a considerable importation of silver into India during the year in

which the mints were closed?—Perhaps they were afraid of their being closed.

6621. But after they were closed there was a large importation of silver?—Because silver fell very much in price, if I recollect rightly.

6622. Do you remember when the exchange began to fall?—The exchange began to fall in 1876 from the old 2*s.* price.

6623. But I mean the rapid fall?—I think it was accentuated when America gave up coining silver, when the Sherman Act was abolished.

6624. Then the exchange steadily fell down to the year when the mints were closed, I think?—Yes.

6625. In 1886 it was 1*s.* 5½*d.*; then it went to 1*s.* 4¾*d.*, 1*s.* 4¼*d.*, 1*s.* 4½*d.*; in 1890–91 it was 1*s.* 6*d.*; then it was 1*s.* 4¾*d.*, 1*s.* 3*d.*, 1*s.* 2½*d.*; during 1894–95 it went as low as 13*d.*, and since 1895–96 it has been steadily rising?—Yes.

6626. Do you attribute that rise to the closing of the mints?—Yes.

6627. What is your opinion as to the re-opening of the mints to the free coinage of silver?—Unless you have an international agreement with regard to silver, it would be the height of folly, I should say, to have the Indian mints alone opened and no other mints, either in the old or the new world. People would think that you would not keep them open long and they would send silver from every part of the world to India.

6628. You think the effect of the re-opening of the mints would be to flood India with silver?—Certainly.

6629. Do you think the price of silver would go up or down?—I think it would go up a little; it would depend on the exchange. If exchange were maintained at 1*s.* 4*d.* it would go up considerably, but I should think exchange would drop as silver was sent.

6630. What would be the price to which you think silver would fall?—You mean if you opened the mints. I do not say that there would be a fall in silver. Silver would go up a little, but the rupee would fall. To my mind, it would fall below 1*s.* almost immediately.

6631. Could the rupee be maintained above 11*d.*, having regard to the system recently adopted in Japan?—The yens would be sent there, but I am told that the quantity of yens is not very large in Japan itself; there are a good many in China and the Straits.

6632. You are familiar with the establishment of a gold standard in Japan?—Yes.

6633. Can you tell us how that was carried out?—They arranged to receive the old yens and to coin gold at the rate of about 32; it is equal to silver at 29·155*d.* per ounce.

6634. That would represent the silver value of the rupee at 10·78*d.*?—Yes.

6635. Do you think that the new currency system in Japan tends to act as a barrier against the rise of the gold price of silver?—Yes, to the extent of the demonetisation of the yens, and also as an evidence that Japan discredits the future of silver. Japan has copied the rest of the world in going upon a gold basis; she believes it is a great advantage to be in accord with the great countries of the world as far as exchange goes.

6636. Are you in favour of establishing an effective gold standard for India?—Yes. Perhaps you would allow me to say, before we pass from that, that we have always assumed that Germany had about 20,000,000*l.* sterling of silver which she would like to sell if a favourable opportunity occurred. In Holland the Government has agreed to the demonetisation of 25,000,000 of guilders to help the Bank of Holland, and to exchange it for gold. Therefore, you may judge as to what would be the effect of reopening the Indian mints, unless you have an arrangement with these Powers that they should not send silver to the Indian mints.

6637. That is another argument against re-opening the mints?—Yes.

6638. You say, in addition to what we may call the formal supply of the world, there is a reserve supply which might also be poured into India?—It might be to a very large extent.

6639. Now tell us in your own words your view as to a gold standard or a gold currency for India?—I do not agree with Mr. Lindsay's proposal. I do not agree quite with Mr. Raphael's proposal. I think you cannot try a novel experiment with regard to India. You must pursue the jog-trot custom of accumulating gold if you want to establish a gold standard. You cannot look for a gold currency until you are in a position to provide against all contingencies. With regard to keeping a gold reserve here, I see no particular advantage in it. A gold reserve at the Bank of England would, I think, be a financial waste. It might be very good for England to keep a gold reserve, but for India to keep a gold reserve that might very rarely be trenched upon would be a waste. It is very similar to what is done by the State Banks in Germany, Austria, Holland, and Belgium. They have the habit of keeping sterling bills and other bills that are payable in gold, and when they fear an export of gold they sell these bills. As an auxiliary process to protect a stock of gold, I think it would be very useful, and it might be effected for India, if this country were to place at India's disposal, say, 5,000,000*l.* of Treasury bills to be kept ready to be sold if needful; but as to buying and selling exchange, I think it would be a novel experiment. It might be useful in helping the producers, but the great dependence ought to be on gold deposited in India itself.

6440. That is for a gold currency?—For a gold standard even. If you have a gradual accumulation, you need not take it all at once, but if you have an accumulation of gold, every million of gold that you deposit in the Treasury in India would produce a moral effect which would be very great. In fact I think you would very soon be able to reduce your 3½ per cent. rupee loans to 3 per cent. and so save the interest, even if you have to borrow to provide gold. There is a remarkable example. I think Russia has shown great financial ability in latter years, although it is a country that I am not particularly partial to. It is an extraordinary coincidence that they have been in almost precisely the same condition as India was, and they have adopted and successfully carried out the same proposal as you contemplate; that is, that they have reduced the rouble in the same proportion as you propose to reduce the rupee, by one-third, and they have succeeded. They are an adjoining country to India; they have to deal with an ignorant mass of people, an agricultural population, and I do not see why Russia, with a far inferior credit and a larger foreign debt, should have succeeded and India should not be able to follow suit. From 1869 down to 1886 the rouble fluctuated in each year to a very extraordinary extent; there were even greater fluctuations than there were in the rupee. Since 1886 to 1898 the rouble has been kept steady at 25⅜ to 25⅝; that is a maximum fluctuation of one farthing a rouble.

6641. Is that the silver rouble or the paper rouble?—It is now the gold rouble, they have prohibited its being called the silver rouble any more, it is the gold rouble or plain "rouble." Gold is going into circulation. They speak of it as a gold standard.

6642. Without a gold currency?—Without a gold currency as yet.

6643. Will you explain that?—They kept the rouble steady, by having the import duties payable in gold or gold equivalent. I find they take not only actual gold but they take the coupons on their own gold debt as equal to gold, and they also take German notes and French banknotes (perhaps out of compliment to France) in payment of import duties. By those means and also by keeping a steady rate of discount higher than neighbouring countries, they have accumulated an enormous amount of gold. They have accumulated far more than is necessary for a gold currency, but that I attribute to political motives. On May 28th last the gold in the bank of Russia was

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111,292,000*l.* and the previous year it was 92,109,000*l.* Therefore, they have increased their gold stock by 19 millions; yet we have money going begging at half per cent. in this country. You could with resolution and perseverance get all the gold that you need. You cannot do it all in one year, but with resolution and perseverance you can get all you want; and I do not think it would cost you anything, because the credit of the Indian Government, particularly in their local loans, would improve. The moment you express your determination to have a gold standard and to make the exchange 1*s.* 4*d.*—I should have preferred 1*s.* 3*d.*, but that is not material—if you show resolution and publish to the world that you are going to accumulate the gold you would have a great demand for Rupee paper at once. It is about 95 or 96 now in India. If the people felt assured that they would not lose on the exchange you would have large investments in Rupee paper and you would be able to reduce your 3½ per cent. to 3 per cent. and save half per cent. per annum on that loan alone.

6644. Have you formed an opinion as to the amount of gold that would be required?—The Indian Government should do like Austria and Russia; they should take the gold out of the market when it is abundant, and leave it alone when it is scarce. In that way they would gradually accumulate gold. There is now a production of gold, I believe, unequalled; I think it is 20 millions more than the usual average. You would do a service I think to Europe if you were to graduall utilise this extraordinary surplus of gold. I would not sign that letter to Lord George Hamilton, because I thought your proposed accumulation of gold would in no way injure the City of London.

6645. You mean you would not sign the letter to Lord George Hamilton, because you were of opinion that what is proposed would not be injurious to the gold reserve in London?—Certainly not. What is necessary in order to accumulate gold is, first good credit, and secondly resolution; and I may add a third condition—keeping your discount rates (which you could do in accord with the Presidency banks) at a fairly moderate range so as not to injure trade; say not below four and not above six.

6646. How could a government do that?—They could do it in accord with the banks. The Presidency banks might fairly be joined together into a State bank—not a Government bank but an Indian National bank, which could do the local business of the country and have branches and offer facilities for trade in the way of transmission of funds.

6647. What liabilities have the Russian Government to meet? Of course we have nothing to do with, politics, but what mercantile liabilities have the Russian Government to meet as against that 112,000,000*l.* of gold deposit?—I take this from the *Economist*. They have got 111,000,000*l.* odd of gold and 4½ millions of silver and they have a circulation only of 84,857,000*l.* of notes and they have also a Treasury account; they owe the Treasury 47,000,000*l.* Perhaps the reason is that that 47,000,000*l.* of gold really belongs to what you may call the war chest of the Russian Government. That would reduce their available gold to about 64,000,000*l.*

6648. As against that 64,000,000*l.* of available gold, there are 84,000,000*l.* of bank notes in circulation?—Yes, and a large foreign debt.

6649. But I wanted to see what their currency was first. What amount is their rouble currency?—They have very little other currency, and they are likely to have very little other currency than the paper rouble.

6650. Then the silver roubles are decreasing?—They are almost non-existent. The old roubles have been melted down. The bank has got 4½ millions, new silver, and I think there must be a similar amount in circulation. I think they bought about 10,000,000*l.* sterling of silver in the last two or three years.

6651. That they regard simply as a metallic bank note?—They have kept it fairly steady, instead of fluctuating about 20 per cent. sometimes in a year—one year, 1877, it dropped from 259 to 190 marks per 100 roubles, that is over 20 per cent.—they have maintained its stability by keeping interest high and borrowing abroad, and now they have declared it as equivalent to gold. But the people will no more take gold in Russia as a circulating medium, than the people in India will take gold as a circulating medium in the near future.

6652. You do not believe that even if a gold currency was established in India, the natives would take it as a circulating medium?—They could not, because their transactions are so small. They must have silver and copper. They could not effect their multitudinous small transactions in gold. It is not a currency for a country like India, except in the big cities. In the big cities gold would circulate.

6653. What do you say as to hoarding?—Hoarding is a bogey which may be laid. I cannot pretend to say how. I do not think there is any hoarding in Russia, and I should think that the natives of India are as intelligent as the natives in Russia, the bulk of them. As a matter of fact, they have been hoarding gold. I believe there is something like 300,000,000*l.* of gold now in hoard.

6654. You think there is a large quantity of gold already hoarded?—Yes; I do not know why it should increase if you introduce a gold standard. I should think it would rather tend to diminish.

6655. Do you think the capital indebtedness of India in any way interferes with the establishment of a gold standard?—No; it is about a third of the Russian foreign debt. Of course the home charges are large with regard to India, but at the same time I think there are a great number of wealthy Russians who spend their money outside the country, which would perhaps be an equivalent. I should think there is an immense amount of Russian money spent in Monte Carlo and such places.

6656. Would you limit the legal tender of the silver rupee?—Certainly not at the onset; not for years. In France, Belgium, and Holland, they have a large token currency, and it is unlimited legal tender.

6657. In France is it unlimited legal tender?—Yes.

6658. You regard the 5 franc piece as practically a token?—As far as its intrinsic value goes it is a token. It is a silver security increased in value by the Government stamp, just as a banknote might be by being issued by a State bank.

6659. Do you mean that it is increased in value by there being a restricted supply?—Well, it is maintained on a par with gold by the credit of the French Government.

6660. But there is no open mint in France?—Certainly not.

6661. There is a restriction, whether it be too much or too little; the silver currency of France is restricted by the action of the Government?—Excepting that the Bank of France has a great deal more than it wants. It has about 48,000,000*l.* sterling of silver which it does not need.

6662 But the outside public cannot come and have their silver turned into francs?—That is so.

6663. Do you consider that the rupee should be convertible into gold by the Indian Government?—No, that would be establishing a gold currency, and I think that would be dangerous until the position of the Indian Government is well assured.

6664. I was perhaps travelling a little too quickly; I was assuming that the moment had arrived for establishing a gold currency by degrees, and then you would make your rupee convertible?—Certainly.

6665. At present you admit that that would not be possible?—It would be impossible and very dangerous.

6666. Can you give us any idea of the length of a process of that sort?—We have seen that Austria has been able to accumulate 30 millions of gold, that is about 20 millions more than she used to have—and the reserve of silver has remained stable at about seven millions; and her circulation is only 17 millions. But

she has not issued gold yet. It is a gold standard without being a gold currency. The Austrian bank notes at the present time are worth quite as much as gold, and have been so with very slight exceptions for some year or two. They have maintained the circulation of the silver florin, although a token, on a par with gold.

6667. What other large country would you put in the category of countries having a gold standard without a gold currency?—Austria, France, and Belgium.

6668. Would you put the United States in that category?—No; the United States and England are the only countries where gold is obtainable freely, not perhaps now in England, because they put all sorts of obstacles in the way, the same as the French Government does. They are not above having an export "corner." For example, they offer the lightest sovereigns that they can venture to send out. They will give you a thousand sovereigns that are worth perhaps only 999*l.* intrinsically.

6669. But you do not take them?—Oh yes, we are obliged to take them. We have, however, to intercept the Australian sovereigns as they come over, and to pay a premium to get them, so as to make up for the light ones that we get from the bank. I initiated the practice of paying a premium to the Australian banks up to 1*l.* in 1,000*l.* for the sovereigns that came from Australia, in order to get new ones for export.

6670. Just referring again to the United States, is not their silver currency really maintained at the rate of 15 to 1 practically?—Yes, 16 to 1. It did not cost them that, as they bought their silver cheaper.

6671. Now have you considered Mr. Lindsay's scheme?—Yes, I think there is the same objection that I pointed out at starting; it is a novelty. Theoretically it may be of some value, but I should think it would be absolutely useless to depend upon it as a basis.

6672. Why?—Because you must have the gold in the country where you want it to circulate or to be the standard. He quotes Scotland at some early period, but I can quote Scotland for every six months. In May and November the Scotch Banks of issue are obliged to send gold, and they will not take the certificate of the Bank of England; they have to send the actual sovereign every year, in May and in November, and get them back generally with the boxes unopened. They have the actual coin to meet their increased issue of notes, and if it were possible to do with a credit at the Bank of England, I should think the Scotch banks would before now have tried to get the system altered. But they go on sending year after year or six months after six months large sums in gold; they pay the freight and have it sent back again, because the actual gold must be there in order to maintain the confidence of the Scotch people.

6673. That they have to do by the law of the land?—Yes, but it seems a ridiculous thing.

6674. I understand your objection to Mr. Lindsay's scheme is based principally on the fact that he suggests that the gold should be in London, and you think it should be in India?—And also I think that you need not meddle with the silver currency at all. You can very easily, in accord with the Presidency banks or with an Indian State bank, withdraw the redundant circulation in the summer months and let it out again in the winter when it is very dear; I mean our own summer and winter.

6675. Now, have you any criticism to make of the scheme of the Indian Government?—I think it would be most unwise for them to melt down any quantity of rupees. It would create a panic in India and outside. I was asked to name the effect upon the market price of silver of melting down two or three millions sterling of rupees and offering the bar silver for sale, and I estimated it (and others quite as experienced, or perhaps more so, than I am, agreed) at about 20 per cent. fall in silver.

6676. The immediate effect would be a 20 per cent. fall in silver?—Yes.

6677. In your opinion the Indian Government ought not to take any action to depreciate the value of silver?—Certainly not. They would do better to keep the rupees in their vaults until wanted, and lose the interest on them rather than melt them down.

6678. Do you consider that any scheme for establishing the gold standard in India would be influenced at all by a guarantee of the Imperial Government?—It would be an advantage if the Imperial Government were to say that they would be responsible, but I doubt whether you would get such an engagement. I think the utmost extent to which they might go would be to let the Indian Government have a credit of, say, five millions, only charging them interest when they use it.

6679. That is very much Mr. Raphael's proposition?—No, they need only have English Treasury Bills in India or power to draw in London; they have no occasion to keep any special gold here. They would draw at three or six months' sight according to the market, and before that time had expired provision would be made to meet them.

6680. But Mr. Raphael's scheme contemplated something which would be equal to a gold reserve of five millions?—I was not in the room all the time he was giving evidence, but I understood that Mr. Raphael meant that the five millions of gold were to be placed in a separate part of the Bank of England as belonging to the Indian Government as a reserve.

6681. But he also put as an alternative to that, Treasury Bills?—But Treasury Bills issued by the Indian Government here.

6682. No, by the Imperial Government.

(*Mr. Raphael.*) I said it was not imperative to have five millions, but it was advisable to have five millions of gold distinct which could be transferred to the issue department of the Bank of England in case it was found necessary to issue Treasury Bills. It would strengthen the position of the Bank without disturbing the money market here.

(*Witness.*) I quite agree with Mr. Raphael that a reserve of gold which might be forgotten would be of great advantage to this country, but I do not see that it ought to be at the charge of the Indian Government.

6683. (*Chairman.*) I think you told us that the gold supply of the world is very rapidly increasing?—It is very large indeed, exceedingly large.

6684. Assuming all other considerations to be put on one side, and confining your answer simply to the supply and demand of gold in the world, and the probabilities of the future, do you consider that the establishment of a gold standard with a gold currency in India would have an appreciably injurious effect on the gold market of the world?—I think not.

6685. (*Sir J. Muir.*) Might I ask why you fix upon 1*s.* 3*d.* as the rate?—I think 1*s.* 4*d.* was rather an extreme rate, considering that people had brought a great deal of gold in previous years at a higher rate than the equivalent of 15 rupees per 1*l.*, and that they would not be content to sell it so readily as if the rate had been fixed at 16 rupees to the pound sterling, or 1*s.* 3*d.* per rupee. But I do not think you could very well take a reactionary step from what is announced. I think, perhaps, it is better to keep to 1*s.* 4*d.*, as it has been proclaimed.

6686. Have you much business with India?—Not very largely, I refer to direct business. We do a very large indirect business through the Indian banks, but our operations are confined almost entirely to bullion. We have some direct banking relations, but they are not large.

6687. Is it within your knowledge that a very large number of merchants in Calcutta, Bombay, Madras, and Karachi think that the attempt to fix the rupee at 1*s.* 4*d.* was a mistake, and that they incline to the opinion that the rate ought not to have been

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above 1*s.* 2*d.*?—I think they would like to get their Indian labour and materials cheap, and they would like a lower rupee, but I do not think it is for the benefit of the country. I think it would affect injuriously the interests of the country as a whole, although it might benefit exporters.

6688. Looking at the country as a whole, is it not very much to India's interest to increase its exports?—If they get advantageous returns. I do not see the advantage of having a depreciated currency. Brazil suffers from a depreciated currency; Argentine, Chili, and America have suffered. We suffered in this country at the beginning of the century. Every country that has good credit endeavours to have a full interchangeable currency, that is, a currency that other nations will receive, and that you can settle your debts with. It is a fool's paradise for India to accumulate an enormous stock of silver which she can never pay her debts with. I think it is an absurd position to be in, unless you have international bi-metallism.

6689. Take, for instance, an exporter of wheat or grain, or jute, or indigo, or any article to be exported from India; it is important for the merchant to get his exchange at as low rate as possible, is it not?—Yes, but at the disadvantage of others. The Government suffers by the land tax being paid in silver while their obligations must be paid in gold; and the labourer when he awakes to the fact that he is not getting enough to live upon, may perhaps want more wages; but in any case it entails suffering on the man whom you pay with the depreciated currency.

6690. Does not the low rate of exchange enable the buyer of wheat or seeds, or whatever it is, to give a better price in rupees?—You go on an entirely wrong basis. The trade of the world is simply barter. You barter the goods of one country against the goods of another, and currency is only a means of settling the margin of difference according to the balance of trade. All you want in India is stability of exchange. If you have a stable exchange the exporters and importers will know how to calculate and how to deal with their respective interests. You cannot assume that because a low exchange will benefit exporters therefore it is advantageous for the country. It is against the country as a whole, because it makes the Government difficulties great, and it inflicts a hardship on the labourer who gets an inferior pay in gold value.

6691. Like Mr. Ralli, but on a very much smaller scale, my firm is an exporter of Manchester cloth and yarn, and Glasgow goods. We are of opinion that it may advantage us as exporters from this country for a time, but in the long run it cannot be a permanent advantage unless there is great prosperity in India, and low exchange helps all the cultivators of the soil?—I think not. I think that it injures them. I think it is preposterous to say that a depreciated currency tends to the prosperity of a country. It is the reverse.

6692. But would you not acknowledge that increasing the rupees in the possession of the great majority of the people in India who are poor will enable them to buy more Manchester goods?—If the exchange is low they are obliged to pay more for their Manchester goods. You are putting too much importance on currency rates. If you admit, as you must admit, that the commerce of the world is pure barter, you must then see that the advantage of one class is a disadvantage to others.

6693. (*Sir D. Barbour.*) You said that there was in Germany some silver which might go to India; is that coined silver or bar silver?—In the case of Germany, the State Bank avoids publishing the quantity of silver it holds. Every other State Bank, I think, even in Spain and Italy, publishes in items so much gold, and so much silver; Germany will not do so, because it is afraid that it should be known. We have always considered they have about 20,000,000*l.* sterling, either in old thalers or in bar silver.

6694. You do not know which it is?—They may have melted them; I think they are old thalers; anyhow, it is in silver.

6695. So that if they were to send that silver to India if the mints were open, they would still lose very heavily?—But the German Government might think it is better to make a loss than to wait for a further greater loss.

6696. They might have sent it to India when silver was very much higher, but they did not?—Because they were in hopes of international bimetallism.

6697. Now you think they might stand the present loss rather than run the risk of a further loss?—I think so, particularly as India would have the unique position of having the only mints open to the free coinage of silver.

6698. Have the Russians been borrowing abroad largely?—Almost every year.

6699. Have you any idea what their borrowing comes to on the average?—I reckoned it at about 300 millions.

6700. That is the total. What has it been every year?—I should think their borrowing for one purpose or another on the average has been about five millions a year. They have just issued a loan in Berlin. But it is irregular. Some years it might be for 20 millions, and then they might wait a year or two; but they are always borrowing. I do not know whether they will continue.

6701. How is the money being found for the railways that are being made in Russia?—They have just issued a loan in Berlin. I think it was four millions, but they announced it was part of a much larger sum that they would issue.

6702. Without going into particular figures, the fact remains that they have been steadily borrowing abroad year by year?—Yes, as a rule.

6703. Do you know what the rates of import duty are in Russia?—No.

6704. I believe they are very high. Some of their duties are almost prohibitive, are they not?—Yes, it is a protective country.

6705. Do you think that those two things, the large borrowings, year by year, and the very high import duties, have helped them to accumulate gold?—No doubt.

6706. Do you think if they gave up borrowing and took off their import duties their gold standard would continue as safe as it seems to be now?—Well, Russia has a way, and so has the Bank of France, of only giving out gold when it is absolutely necessary; not for ordinary circulation. The Bank of France would let some gold out if it was required to pay for wheat, or if there was a very serious condition of the money market for instance.

6707. But at any rate if they gave up borrowing abroad and took off their import duties that would raise a serious difficulty as regards their gold standard?—Not if they ceased to import gold. I think they have imported quite as much gold as they have been borrowing in latter years, and that tells one against the other.

6708. If these protective duties were taken off, there would be a large increase of imports which must be paid for?—I think if they lessened the import duties they would increase the imports and increase the exports, because, trade being barter, you could not carry on a one-sided trade with another country. Therefore, if we did largely export to Russia, we should have to import largely from Russia.

6709. If the exports from Russia increased in that way, do you think that a portion of that increase might take the form of gold?—Well, they might let gold go if they wished, but money is always attracted to the country where it is most required if credit is good. For instance, so long as Russia keeps the bank rate at 6 per cent. they will not lose any gold, and the credit of Russia is fairly good, because people will always send money there to employ it there, and they would not like to take it away unless they were afraid of some catastrophe.

6710. Is the bank rate permanently at 6 per cent.?—It has been for years, and the outside market just the same, 5 or 6 per cent.

6711. It would be a great saving for India if it could keep the rate of discount steady; how do you propose to do that?—You must do it in accord with the Presidency banks. If you take sufficient currency away you can make a 4 per cent. rate into a 6 per cent. rate; if you take some more you can make a 6 per cent. rate into a 12 per cent. rate.

6712. But what I want to know is, how could you keep it at 4 or 6 per cent.?—When it gets above 6 per cent. let out some of your balances.

6713. That is providing more capital?—Providing more currency.

6714. The capital would take the form of currency?—Yes, you could regulate the money market if you have control of the deposits.

6715. If the banks in India had a larger capital, that would help to keep the rate of discount low?—Yes, if they employed it in India it would; but you could easily prevent very heavy rates of discount in India if you made the exchange fairly stable. Everybody to-day would be glad to get the Indian rates for money if they thought they would get the amount back in a month or two at the same rate of exchange.

6716. In any case there must be a loss in sending money out to India and getting it back?—No; if you had a fairly permanent rate not below 4 and not above 6, you would get as much capital as you could employ at those rates.

6717. For that purpose you would want more capital?—But you would attract capital by a stable exchange. It was the case with Austria with their 5 per cent. rate. It was the same with Russia with her 6 per cent. rate; the money goes there because it is safely employed.

6718. (*Mr. Campbell.*) You mentioned that the rouble is now kept steady at 25$\frac{3}{8}$d. to 25$\frac{5}{8}$d.?—That is so.

6719. What did it rule at before the Government took steps to regulate it?—I have known it down to about 20*d.*, and I think even below 20*d.* Many years ago I fancy it was as low as 19*d.* I am not quite sure.

6720. There has been a very heavy rise?—I have the figures for every year since 1869. It has been higher and it has been lower. At a favourable time they adopted fixing it at two-thirds of its original value; they made the 7½ rouble piece out of the 5 rouble piece; that is 7½ roubles equal to the 20 franc piece.

6721. I do not know whether you have considered what reserve is necessary before pronouncing the convertibility of the rupee?—I think the first step should be when you have a sufficient amount of gold to make your notes payable in gold and issuable again in gold.

6722. You mean the Indian currency notes?—The Indian bank or Treasury notes; amounting to 24 crores. That means about 16 millions sterling. If you had 10 or 15 millions of gold you could make those bank notes payable in gold unless you were afraid of the gold being hoarded. That I must leave to the gentlemen who know the natives. I think you could get the native magnates to help you, giving them the assurance that they could have the gold again. I think if you made your rice duties and other duties payable in gold you would accumulate it from all the little stores of the world without its being generally known; you would get it in such small quantities. You might also issue some of your Indian sterling loan in coupon bonds and receive the coupons in India in payment of duties. That would induce some of the exporters to hold that stock in India in order to gain interest. It would be gold paying interest. All those details would help in one way or the other. If you resolve to carry it out I see no insurmountable obstacle with the good credit of India in getting as much gold as you like; 100 millions if you like.

6723. Good credit is one thing and resolution you said was another?—Yes.

6724. Would that mean adhering to your scheme at all hazards?—Stating that under no circumstances would you depart from it. You would at once get a demand for rupee paper. That you would know yourself, because it would pay a higher interest. That, of course, would help your project.

6725. Might there not be a third way, by the operation of the balance of trade?—Certainly.

6726. India, besides paying her foreign debt, has always the command of a very large amount of bullion every year over and above that. Would not that give her the command of the funds necessary?—Certainly.

6727. And would not that be a more natural and better way than borrowing?—Certainly.

6728. It might perhaps be a slower process?—But it is better that such an operation should be slow.

6729. You say gold never can be the real currency in India?—It is most unlikely that it can be the main currency or anything like it. India would not in that respect be alone; there is no country, except England, not even Ireland or Scotland, but England and Wales, where gold is largely used as currency.

6730. Might it not be the circulation for large wholesale transactions and for foreign trade purposes, with the rupee continuing to be the circulation for the retail transactions of the country?—If you had the same facilities in India as in other countries for the transfer of bank reserves from one city to another (the Bank of Russia, for instance, has 193 branches) you could economise the transmission of gold to an enormous extent. You can telegraph enormous sums from one end of Russia to another at a very small charge.

6731. So you can in India through the Currency Department from Bombay, Calcutta, Madras, or Rangoon, at about one-eighth per cent., sometimes even one-sixteenth?—You would have no particular need for gold except for export; and then the Treasury, if it had a redundancy, could spare some.

6732. With a favourable trade balance you might, in the course of a few years, accumulate all that was necessary?—Yes.

6733. (*Mr. Hambro.*) Did not Russia begin collecting their gold by issuing a great quantity of bank notes when the harvest happened to be very good?—The Russian Ministers of Finance have been wonderfully clever, the present one especially.

6734. But did not they begin by issuing a quantity of bank notes when the harvest was good, and using that at the various seaports to buy sterling bills, the proceeds of a very prolific harvest?—They have done so in Berlin very largely. I did not know that they did it at the seaports. They used to buy gold in Germany against rouble notes.

6735 I think I have seen remittances come in from all sorts of seaport towns?—They have been very clever; and have not disturbed the money market, although they have accumulated an enormous sum.

6736. Their first proceeding was to issue a large amount of currency, so keeping money perfectly easily in their own country and buying bills?—I never remember in late years the Russian Bank rate of discount being below 6 per cent.

6737. They kept it at that?—Yes.

6738. Do you think that if the Finance Ministers had published the particular operation they were going to make they would have achieved that result?—No, I think not. The essence of an operation of this kind is doing it quietly and without publicity.

6739. It is one of the essentials of an operation of this kind that every step should not be published?—That is so.

6740. But I suppose that would hardly be compatible with the manners of the English and Indian Governments?—I do not see that they need publish what amount of gold they receive for imports. They

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might say that they would take silver for small amounts and gold for larger amounts, and so forth. You could very easily conceal it; but I think that the fact that gold was being accumulated ought to be known.

6741. Do you think that if a national bank was erected in conjunction with the Presidency banks with a large gold capital, 20,000,000*l.*, or any amount you like, and if the currency of India, subject to proper laws, was placed under the management and control of that bank, the bank would be more likely to carry out your views than the governmental department?—Certainly; I think it would be wise to amalgamate the Presidency banks into a State bank and give them the note issue.

6742. Would it not be wise also to increase the capital of the Presidency banks?—Certainly.

6743. And it would be easy to get any amount they required?—Any amount.

6744. You think if the currency was taken away from the control, or rather the management, of the Government, but that subject to the laws, the management were given to a bank composed of merchants and bankers and officials, it would be easier to carry out such an operation as you contemplate, which is, I understand, buying gold in the cheapest market, not always taking a great profit?—Certainly it would be the best mode.

6745. (*Sir D. Barbour.*) You said that you would begin by converting the bank note in India when you wanted to have convertibility?—Yes.

6746. Would not that be practically the same as undertaking to convert the silver rupee as well?—Not if you make them gold notes, because supposing there was an easy money market, they might want some of the notes exchanged for gold; suppose there was afterwards a tighter money market, they would have to get the gold again to obtain paper or silver currency. The object of making the bank notes payable in sovereigns would be to familiarise the people with the actual gold.

6747. But these gold notes would have to be distinct from the present notes?—If you had a good reserve of gold you could call them gold notes, issued by the Treasury or the banks, payable in gold.

6748. Separate from the notes which are payable in silver rupees?—No, the identical ones.

6749. A man now with 10 rupees could go to the Paper Currency Office and get a note for them, and, if he could convert the note into gold, he would have converted his rupees into gold?—I said issuable and payable in gold.

6750. That would be a separate note, then?—If you made the present notes gold notes a man would not be able to take his 15 rupees and get a note; he would have to take a sovereign. But I mean you might have small notes. Suppose a man wanted to get 30 rupees in notes, he would have to take two sovereigns.

6751. What would you do with the existing notes?—You may issue fresh ones, or you may call these gold notes. If you have plenty of gold and want to try the experiment it would not be necessary to issue fresh notes. You might say the Treasury notes are from such and such a date payable in gold. If they came in to the extent of five millions sterling it would make a stringency in the money market, and they would perhaps be glad to take the notes against gold coin.

6752. Then the notes would cease to be changeable for silver rupees?—No, you could give silver rupees if they wanted rupees.

6753. Then would not the result of that be that you undertake to give gold for rupees?—No, because if you do not give notes out for silver you do not give notes out for rupees, but I think it would be better to keep the option whether you pay in gold or silver. That is what is done in the case of the Bank of France; they find no inconvenience, and they keep the bank rate steady.

The witness withdrew.

Mr. E. Clouston.

Mr. EDWARD CLOUSTON called and examined.

6754. (*Chairman.*) You are general manager of the Bank of Montreal?—Yes.

6755. That is the principal bank in Canada?—Yes.

6756. Have you many branches?—Forty-four in Canada, two in the United States, and one over here.

6757. It is a bank independent of the Government?—Quite. We have the Government account, but they have nothing to do with the management of the bank.

6758. Just tell us what is the standard and what is the currency in Canada by which that standard is used?—The standard is a gold standard; the same standard as an American eagle. We have no gold coin of our own, but the American eagle and multiples of it (the half eagle and double eagle) and the English sovereign are legal tender. We never see a gold coin in circulation from one end of the year to the other.

6759. There is no gold in circulation?—Practically none.

6760. What is in circulation?—A certain amount of Dominion notes. The Dominion Government have an issue that is limited by the Act of 1880 to 20 millions, secured by 15 per cent. in gold, 10 per cent. in gold or Dominion Government bonds guaranteed by the Imperial Government, and 75 per cent. in their own bonds, which they are at liberty to issue at any time when it is necessary to protect the gold currency; but for anything over 20 millions they have to have actual gold in their possession. The present issue is about 22 million dollars, for which they hold in gold in the different treasury chests 10,600,000 dollars, and Imperial guarantee bonds 1,946,000 dollars, and Dominion Government bonds 15,000,000; about 5,000,000 dollars in gold more than is required by the Act of the Dominion.

6761. You have 10,000,000 in gold?—At present, that is as security for the Dominion note circulation only.

6762. What metallic currency have you in Canada; I mean silver currency?—50-cent piece, 25-cent piece, 10-cent piece, and 5-cent piece; and then we have a copper coin of 1 cent.

6763. What is your legal tender?—It is the Dominion note that I have just described, and gold.

6764. Not silver?—Silver to the extent of 10 dollars.

6765. Dominion note unlimited and gold unlimited?—Yes; and copper coin is legal tender to the extent of 25 cents. Of this Dominion note issue, although there are 22 millions nominally in circulation, there are only about 7,000,000 or 8,000,000 in circulation, because the rest are carried by the bank as part of their reserve, and are not in circulation except between banks when they are used to settle balances.

6766. Have you any idea what is the extent of the circulating currency in Canada?—The total circulation of all sorts is, I should think, about 8 millions in Dominion notes, and to-day 36 millions in bank notes. That fluctuates as the country requires it, and perhaps 5 or 6 millions in small specie, silver and copper.

6767. That is about 50 millions?—I should think so; it would nominally appear more, but 15 millions of these notes of the Dominion Government are locked up in the banks.

6768. Have you anything to say about the provisions of the Canadian Bank Act of 1890?—The Act of 1890 was an Act which authorised the Chartered Banks of Canada to conduct the note issue. It gave them power to issue to the extent of their unimpaired paid-up capital. It has never yet reached that limit. If a bank is in danger of issuing beyond its unimpaired paid-up capital, it generally buys the notes of another bank and uses them. The security for the circulation is, first of all, a first lien on all the assets of the bank, then the guarantee fund to which every bank contributes 5 per cent. of its total circulation. This

guarantee fund must be kept unimpaired by the banks, but they cannot be called on to contribute to the extent of more than 1 per cent. of their circulation in any one year. As a matter of fact, there is no likelihood of the Fund ever being touched. We have only had one failure since the Act came into operation; that was the case of a bank in Montreal, and the difficulty was to get the notes in for redemption. Everyone who got hold of those notes held them as a good investment, because they carry 6 per cent. from the date of the failure until redemption in the liquidation. The only way to redeem them was by an official announcement in the Gazette stating that the liquidator would be prepared to redeem the whole issue, whereupon interest ceased to run. A dollar cannot remain in circulation one day longer than is necessary; directly it is unnecessary, if a man has five dollars more than he wants, he passes it into the bank or pays a debt with it, so that there is never any surplus of currency outstanding and requiring redemption at any time.

6769. What do you consider the special advantages of your Canadian system?—Its safety, elasticity, and perfectly automatic working. And another feature is economy of capital. Directly our circulation returns into our vaults, it is worth nothing except the paper and the cost of printing. With currency of other countries there is always so much capital locked up soon after it is in the hands of the banks. If we have a big demand for notes to move the crops in the north-west, for instance, this year we required 10 million dollars, that was an increase of circulation extending over two or three months, but that made no contraction of loanable capital anywhere in Canada. It was supplied by this bank currency which was issued to purchasers of grain and by them paid to the farmers. It takes two or three months to return, because a farmer, after he has paid for his grain, generally has some farming operations to do, and he keeps it at home while tilling his ground, and so on, and then brings it in about two or three months afterwards. It is either placed to credit and disappears, or it is used to pay off loans to merchants and disappears. In the meantime it has made no contraction of loanable capital anywhere in the country.

6770. What is the average rate of discount?—It is equal now to about 5 to 6 per cent.—the commercial rate. It depends entirely on the part of the country it is in. We have branches extending from the Pacific to the Atlantic, and in the mining districts the rate would be very much higher than that on account of the expense of living and the cost of transportation. In some of the mining districts it is as high as 12 per cent. and 8 and 9 per cent.; but then the expense of living is considerable; and we have to take that into consideration.

6771. Under your system are we to understand that there is no such thing as a restriction of the currency?—It is restricted to the amount of our unimpaired paid-up capital.

6772. I should rather have put it the other way; there is no such thing as a scarcity of currency?—It is impossible. Directly it is required it flows out naturally.

6773. It automatically expands?—Yes.

6774. And you have a steady rate of discount?—We have a steady rate of discount. Of course the rate of discount is a sort of safety-valve in case we were importing too heavily. We might require to remit something in payment of our imports, and that would require gold. To prevent gold going out we could put up the bank rate; we could raise it steadily, and as we did so money would flow in, because our credit stands very high; there is no difficulty about getting capital if we give a sufficient return in interest. In that way it regulates the flow of gold. Comparatively little gold passes backwards and forwards into or out of our country. As the crops come forward to be sold in Europe it establishes large credit balances in our favour, which we allow to remain over here. The banks in Canada are very powerful banks as compared with the population. If you take the Bank of Montreal, of which I am general manager, it has a capital of 2,500,000*l.* sterling, and a large reserve fund besides. That, as compared with the population, is very large. You have no banks equal to it at all, except some of the State banks. We allow these accumulations in payment of grain to remain in the different countries, so that when people require payment for their imports, instead of forwarding gold out of the country, we sell them drafts on the balances that are established abroad, so that hardly any gold passes backwards and forwards at all.

6775. Is your rate of exchange steady?—No.

6776. What causes the fluctuation?—The fluctuation is caused by the demand for remittances at a time when we are exporting little, or a cessation of demand when we are exporting heavily. When there is a heavy demand for remittances the value of exchange rises. When there is an accumulation of balances in Britain or Europe from grain bills coming forward, exchange goes down, because there is more exchange than can be bought by the merchant in payment of imports. Then the bankers buy these bills at as low a price as it would cost to bring gold out, taking into consideration the question of interest and the cost of transporting the gold.

6777. Are you familiar with the monetary system of India?—Oh, no. I have heard more about it this morning than I have ever known in my life before. We have nothing to do with it in Canada, and we are comparatively ignorant on the subject.

6778. At all events you are not ignorant as to the possibility of a country having a gold standard without a gold currency?—I think it is the only proper currency in the world; that is my impression. I would not say without a gold currency, because a certain amount is required or may be necessary to pay balances. Our gold is only useful to us to pay our foreign balances occasionally. In the meantime, until exchanges can be adjusted, we keep American gold against our foreign balances. There was a great outcry for us this year to mint the gold that is coming out from the Yukon in such large quantities, supposed to be ten millions of dollars; but, as I pointed out to the Government, the gold is really no use to us till it passes out of the country, giving us credit balances in other countries to draw against. The gold minted would only remain in the vaults of the bank, so that it would be no possible good at all.

6779. (*Sir D. Barbour.*) I gather from your evidence that two at least of the peculiarities of the Canadian system are, first, that the banks have large capital?—Yes.

6780. And, secondly, that there is an elastic system of note issue?—Yes.

6781. Of course you know the system of note issue which exists in this country, that an additional note cannot be issued unless so much gold is paid in?—Yes.

6782. It is not what you may call an elastic system?—No; the note actually represents the gold; the more currency issued the more capital is withdrawn from useful employment.

6783. I do not know whether you are aware that the same system that we have here is in force in India; that is, that another note cannot be issued unless the coins are actually deposited. Now, your system of issue of notes seems to be more like what is the practice on the Continent than what is the practice in this country?—I do not know of any Continental nation that has the same system.

6784. Not precisely the same, but I think the Continental nations generally have a different system from ours; they have more elastic systems?—To the extent that portions of it are against a fiduciary holding; that is so.

6785. Now, you issue notes within certain limits, but what amount of gold in circulation is necessary, or what arrangements do you make in order to secure convertibility of the notes that are issued?—Gold is never demanded for them; we do not imagine that it

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ever would be demanded for them; we have not had that experience. When I say never, a few dollars may occasionally be asked for.

6786. It is a very fortunate position, but you do hold a certain amount of gold?—We do hold a certain amount of gold; the little gold that is required to pay our foreign balances temporarily, till exchange gets into better shape.

6787. In the case of a great panic in Canada (if such a thing be possible) would you not find a difficulty?—Not as far as circulation is concerned. The people of the country understand it so well. What they would do if there was a panic would be this: they would draw out their balances in banknotes, knowing that the bank notes were absolutely secure.

6788. You cannot conceive any want of confidence in your banknotes?—No.

6789. And as long as confidence lasts it is very easy to maintain convertibility?—Yes; but even in case they should lose confidence there is no trouble about getting gold. We have a certain amount of gold in the country. The total circulation of the bank just now is about 36 millions; we have 10 millions against that now, and in addition to that we have very large foreign balances and securities which we could sell in New York and London.

6790. You have 10 millions now?—Yes.

6791. That is roughly one-third; it is 10 against 36?—Well, it is against our liabilities generally.

6792. But it is 10 millions there which is available?—Yes, you can understand why I say our circulation is absolutely safe. The total circulation is 36 millions. Against that we have assets, on which there is a first lien, of 360 millions, we have the guarantee fund of two millions——

6793. I am not questioning the fact that your position is perfectly safe. I want to see how it happens that you are in a better position than other countries. It does not follow that every bank can do with as little gold as you can. The fact that there are those great assets gives confidence in the notes?—Yes.

6794. And if the worst came to the worst you could sell in New York?—Yes, and besides that we carry our reserves in other countries. Last winter we carried a large amount in Germany and Holland, and a large sum here, and in France and the United States. When I speak of large sums of course that is comparative. It might not be a large sum for the Bank of England, but large for us in proportion.

6795. (*Mr. Holland.*) You told us that you had had variations in your rate of exchange, but you did not indicate within what limits those variations generally were. Will you tell me the maximum and the minimum?—It depends so much on the rate of interest over here.

6796. But in your experience of the last few years what has been the maximum and minimum?—In Canada the rate has not varied a great deal, perhaps $4·80 or 4·88 or 4·89 for the sovereign. We have seen very large variations in places like Chicago, where they have had panics. In the panic just before the last election it was considerable in a very short period.

6797. But the average variation has been between $4·80 and $4·90?—Yes.

6798. (*Mr. Campbell.*) Regarding this 5 per cent. guarantee fund; in what is it held?—It is held by the Dominion Government.

6799. In cash?—I don't know how; it is only a small amount for the Dominion Government—two million dollars.

6800. They are responsible for it?—They are, for the custody.

6801. (*Mr. Le Marchant.*) Are not many of the remittance transactions between Canada and England conducted through New York?—Yes, a considerable number of the transactions in connection with our remittances. Our remittances are conducted directly with England, but we often buy or sell exchange in New York.

6802. There may be exports of gold indirectly in connection with Canadian remittances to England, although they would not appear in the exports from Canada?—That is possible. The amounts required would be supplied by the banks without any special arrangement with New York.

6803. Owing to the banks' command of sterling abroad?—Yes.

6804. When you speak of fresh capital flowing in, does that flow in in the form of gold, or is it a transfer of sterling claims abroad; is it a transfer of the sterling balances that you are speaking of?—It would mean an increase of our balances over here.

6805. But not necessarily a shipment of actual gold either to New York or Montreal?—No. Take the case of an insurance company investing largely in our securities. If they wanted 100,000*l.* it would be placed to our credit here, and we should pay it on the other side. There would be no actual transfer of gold.

6806. Have you ever found the demand for notes come up to the issue power of the banks?—No, never. We have power to issue up to 60 millions, and we have never issued more than 40 millions.

6807. Does that depend on the management of the banks? I could imagine the public demanding facilities if they were offered at a sufficiently low rate?—What you are asking is, who limits the amount. I think the banks themselves limit the amount. Of course it was the desire of the banks that they should create public confidence to the greatest possible extent in the circulation, and if they had had an unlimited circulation that could not have been done.

6808. And equally in managing the circulation under the existing powers, it depends very largely on the banks how far those powers are exercised?—It depends on the necessities of the country.

6809. With regard to covering the interest on the sterling debt; how is that managed; do the banks manage the remittances for the Government?—The Government buys in the open market exchange from the banks to pay for remittances.

6810. In any way that suits them?—Yes. Nearly always by tender.

6811. There has been no direct export of gold traceable to paying interest on the debt?—No.

6812. Does the balance of trade vary very materially in different years?—Oh, yes; it varies materially with a big crop or the enhanced price of a crop of grain, and also with the condition of affairs in Canada. In prosperous times we import very heavily.

6813. Has it ever been so far adverse as to lead to any crisis or panic?—No. As I say, if we saw that approaching, we should curtail the purchasing power of our customers by the rate of discount. That is the safety-valve.

6814. Has there at any time been a party in Canada for a depreciated currency? When the United States had an inconvertible currency, was there any movement in a similar direction in Canada?—Not to any extent. I may say practically none. In a community there are always a certain number of cranks who start theories about currency, but there has never been anything to the extent of a party.

6815. There has never been in Canada a party holding the view that the United States benefited by a depreciated currency?—On the contrary, the opinion is that that is a great bar to the progress of the United States.

6816. Canada had, as a neighbouring country, the means of observing the working of the United States currency?—Yes.

6817. And there was no wish to imitate it in that respect?—None whatever.

The witness withdrew.

Adjourned.

FIFTEENTH DAY.

Monday, July 18th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.
MR. ROBERT CHALMERS, *Secretary*.

MR. LESLEY CHARLES PROBYN called and examined.

Mr. L. C. Probyn.

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6818. (*Chairman.*) Will you state your description and experience?—I was formerly in the Account Department of the Government of India. I was for 25 years in the service of the Government of India. The highest post I reached in that service was Accountant-General of Madras.

6819. You are acquainted with the questions affecting the coinage and currency of India?—I have tried to make myself acquainted with them.

6820. Were you in favour of closing the Indian mints in 1893 to the coinage of silver?—Yes, but only as the first step towards the adoption of a gold standard.

6821. Why were you in favour of the closing of the mints?—Because I thought that, under the circumstances, India should put herself on a gold standard.

6822. You were influenced, then, exclusively by that consideration and not by the existing financial condition of India?—Just so.

6823. You are aware that exchange had fallen when the closure of the mints was recommended by the Indian Government?—Yes, to $14\frac{5}{8}d.$

6824. Was that the lowest?—I think so.

6825. But are you aware that an increased burden was falling on the taxpayer of India for the purpose of remitting the gold payments to London?—Yes; but I do not think that that was the special evil from which India was suffering.

6826. What was the evil?—What seemed to me to be the most serious evil was the hindrance to trade caused by the two countries having different standards of value.

6827. You mean Great Britain and India?—Great Britain and India. Also it had always seemed to me a very great injury to India that capital was, to a certain extent, prevented from going to India by the uncertainty of the rate at which it would be got back again.

6828. I suppose that difficulty did not arise during the greater part of your residence in India, because, until after the demonetisation of silver by Germany, exchange was stable?—I left India in 1879, and the fall in the value of silver began to take place in 1873.

6829. Do you consider that the mode of carrying out the closing of the mints was the wisest that could have been adopted?—No, I do not.

6830. Will you state to the Committee what your objections are?—I think the permanent gold value to be assigned to the rupee should have been settled. I think that the temporary major limit of 16*d.*, which was the result of receiving gold at that rate, was too high. There were indications that it was desired to raise the gold value of the rupee even to a much higher figure than 16*d.* Then, very soon after the mints were closed, an attempt was made to force up the gold value of the rupee by putting a minimum price on Council bills. No scheme was propounded for either the convertibility of the silver rupee into gold or the partial substitution of gold for silver as currency, and there was no finality in the scheme, which did not provide by legislative enactment for the future adoption of a gold standard. What I wish to make clear to the Committee is this: My view was that it would have been quite unjustifiable to have closed the mints unless it was the first step towards a gold standard; and with that in my mind I think the whole thing should have been, I will not say cut and dried, but put on a definite footing.

6831. Did not the Government of India, when they recommended the closing of the mints, or, at all events, I think when Sir David Barbour made his statement in the Indian Legislative Council, distinctly declare that it was a step towards the establishment of a gold standard?—They did; but although Lord Herschell's Committee adopted the recommendation for a gold standard, some individual members of the Committee, one could see, did not take that view. That very able gentleman, Mr. Bertram Currie, for instance, in the Minute which he appended to the Report of the Committee, distinctly said that he hoped that the rupee might get up to a higher rate even than 18*d.* That was distinctly indicating that there was no idea in his mind of a gold standard. Further, he distinctly said that he would have no gold, and I contend that you cannot have a gold standard without gold altogether; so that Mr. Bertram Currie, for one, was not in favour of a gold standard.

6832. The only point in which I understand Mr. Bertram Currie differed from his colleagues was this: He says, "While cordially concurring with the "views of my colleagues, so far as they support the "proposals of the Government of India, I should "have preferred to approve those proposals without "imposing the condition that the closing of the mints "should be accompanied by an announcement that "rupees will be coined in exchange for gold at the "ratio of 1*s.* 4*d.*" I think that was his only dissentient point?—Will you read further on?

6833. He says: "It will be admitted that in a matter of this kind the minimum of State interference is desirable"?—I think you will find that further on he says that he hoped to get the rupee up beyond that.

6834. Is this the passage you refer to? "I am "unwilling to take the responsibility of attempting "to fix a rate if the object can be practically "accomplished by the natural action of the market. "Moreover, I fail to see what advantage would be "gained by selecting the ratio of 22·37 to 1 (1*s.* 4*d.* "the rupee) rather that of 18·22 to 1 which has "been adopted with apparent success by Austria, or "that which is in use among other nations. If, con-"trary to expectation, exchange should rise suddenly

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"in an inconvenient degree, I would meet the "difficulty in the way proposed by the Government "of India (quoted at paragraph 47 of the Com- "mittee's report) by declaring that English gold "coins shall be legal tender in India at a rate to be "fixed by them." He does not seem to commit himself to anything stronger than that. Perhaps when you get the proof of your evidence, if you see that there is any statement of his that you wish to put before the Committee you will embody it?—Very well.*

6835. (*Sir D. Barbour.*) Did not the Secretary of State expressly and formally sanction the closing of the mints as a first step towards the introduction of a gold standard?—Yes, he did.

6836. (*Chairman.*) This is the telegram from the Secretary of State to the Viceroy, of the 20th June 1893, "We have considered your letter of the 2nd "June 1892, and your telegram of the 15th instant "respecting currency. Her Majesty's Government "have decided to approve the proposals of your "Government to close the mints to free coinage, and "to make arrangements for the adoption of a gold "standard, subject to the modifications recommended "by Lord Herschell's Committee, which your Govern- "ment have accepted. You are, therefore, empowered "forthwith to take the necessary steps." That is the final decision?—That I know, but what was in my mind was this: that any person looking through the actual Report of the Committee would see that some of the members at any rate were not in favour of accumulating any gold at all, and there was no indication of how they intended to secure the gold without which, I contend, there cannot be a gold standard.

6837. Would you indicate in detail any prejudicial effects which were due to any of those faults?—The limit of 16*d.* was reached only a few months ago, and less than a quarter of a million of gold has been received to date. Stopping the sale of Council bills unduly encouraged the importation into India of silver and of merchandise, and tended to dislocate trade.

6838. That did not last for very long, did it?—For seven or eight months.

6839. The suspension, you think, did a great deal of harm?—I believe so. I perhaps may be allowed to mention one point which makes me think that it did harm. One of the leading bimetallists, and a very clever fellow, told me in December 1893, "if the "Government had wished to spoil its scheme they "could not have done better than by stopping "the sale of Council bills." I believe that the holding up of these bills had a very bad effect on the future value of the rupee. The absence of any permanent rate and of any law, or even of any definite scheme, for eventually putting the rupee on a gold basis, together with the indications that a higher rate was aimed at, prevented the public from having confidence in the determination or ability of the Government to go on with a gold standard scheme.

6840. Are there any other points of detail that you would like to mention to us as having had a prejudicial effect?—I think I have gone over the whole ground.

6841. Now, what do you say as to the re-opening of the mints?—I am decidedly opposed to it.

6842. Why?—Because I would try and put India on a gold standard.

6843. Do you think it impossible to continue India on a silver standard?—Not impossible, but it would be very disastrous, I think.

6844. You think it would be attended with great risk and danger?—Great risk and danger to the finances of India, I think.

6845. You have been in favour of a gold standard for some considerable number of years?—Yes.

6846. Before this question came either before the Indian Government or Lord Herschell's Committee? Yes, I was in favour of the gold standard when the Gold and Silver Commission held their sittings. Sir David Barbour may remember that I sent in a memorandum to that Committee on the subject.

6847. You wrote a paper in 1888, entitled "A proposed Gold Standard for India"?—Yes.

6848. Then, you wrote another paper in 1892?—Yes. In 1886, I think it was, I sent in a memorandum to the Gold and Silver Commission on the subject.

6849. Are your proposals for a gold standard dependent on, or accompanied by, or do they exclude, a gold currency?—I mean a gold standard without a currency. While admitting the advantages of a currency more or less composed of gold in a gold standard country, I think in India a gold currency is not only unnecessary but, in the first instance, at any rate, undesirable. If the silver rupee can be secured as an effective representative of a certain amount of gold, it will be more convenient for the transactions of the mass of the people than gold coins. If gold coins were put into circulation the temptation to hoard them and to use them as ornaments would be very great. Of course if the natives of India want gold, and are able to pay for it, you cannot prevent their getting it. But it is one thing their buying it as merchandise and it is another thing their being able to get it as currency. The facility with which silver rupees could be extracted from the currency and turned into ornaments greatly encouraged the use of silver for this purpose; and so it would be with gold. If gold coins were passed into the currency it would be at first almost like pouring water into a sieve.

6850. That argument is entirely directed to the question of hoarding?—Hoarding and ornaments. Of course, practically they are both the same.

6851. The extraction of gold from the currency?—Yes.

6852. You said, "if the silver rupee could be made an effective representative of gold." I think we should like to hear you define what you mean by "effective representative"?—I do not think it would be an effective representative until you could get gold in exchange for a certain number of rupees.

6853. You mean convertibility?—Convertibility; not necessarily the convertibility of the individual coin into its corresponding value in gold, but the convertibility of a considerable number of coins into their equivalent in gold, and I do not think the rupee would be an effective representative of gold until that stage had been reached.

6854. Can you just state from memory what Lord Sherbrooke's proposal was in 1879?—Lord Sherbrooke had an idea that you could increase the paper currency of India to a very great extent, and that you could substitute paper notes for the rupees in circulation, and his idea was to support those paper notes by uncoined gold.

6855. Bullion?—By bullion. I think he quoted Ricardo as the foundation for his views. But Lord Sherbrooke did not go so far as I did, and did not see the possibility, we had better call it, of issuing what I will call silver notes—rupees as silver notes—against the gold.

6856. To put it in your own words, what you say in your book is that Mr. Lowe "suggested that the "currency of the rupee should be limited to amounts "of small value, and that a paper currency should be "introduced, to be sustained at par with gold by the "right to require bullion for notes and notes for "bullion in certain specified quantities. This was "practically identical with Mr. Ricardo's proposal— "for the issue of notes on the deposit of bullion— "which was adopted in Sir Robert Peel's Bill for "the resumption of cash payments in 1819. "Mr. Lowe left the introduction of the system to

* *Note by Witness.*—I see, now, that I was wrong in using the forcible language I did in regard to Mr. Currie's views. But his allusion to the Austrian rate, 18·22 to 1, corresponding to 1*s.* 7$\frac{1}{4}$*d.* the rupee, and the rate in use among other nations (16 and 15$\frac{1}{2}$ to 1) corresponding to 1*s.* 9$\frac{7}{8}$*d.* and 1*s.* 10$\frac{5}{8}$*d.* the rupee, indicated that he would not object if the natural action of the market with closed mints gradually forced up the gold value of the rupee to those high rates.—L. C. P.

" such means as Indian experts might think best, " and did not explain how he proposed to obtain the " gold with which to start it"?—Yes.

6857. Just let us take the last section of that paragraph?—My proposal is by beginning with the right to demand notes and silver rupees for gold bullion, to ultimately arrive at the stage when we shall be able also to give the right to demand gold bullion for notes and silver rupees.

6858. Now will you explain to the Committee the details of your scheme?—The details of my scheme are given in a draft Bill printed at pages 114 to 120 of my book. The rate of 16*d.* for the rupee is adopted. My scheme assumes that if the State paper currency can be maintained on a gold basis, *ipso facto* the whole rupee currency of the country, which is convertible into paper, becomes on a gold basis. My plan provides for a distinction between notes of 10,000 rupees and those of smaller denominations. The notes of 10,000 rupees to be issued only in exchange for gold, which would be ear-marked to meet them so long as they were outstanding. Notes of smaller denomination to be issued in exchange either for gold or for silver rupees, but at first to be exchangeable only into silver rupees, as at present. It is assumed that gradually, as an expansion of the circulation of the country became necessary to meet wastage and increased trade, the rupee would rise to the gold point, and that when it so rose, gold would come into the currency reserve. Gold would come first, perhaps, against the issue of the large gold notes specially designed to be used as what Sir Edgar Vincent calls a marginal gold currency (which would come to India when the currency was deficient, to be returned, if need be, when the currency became redundant). But gradually, as need arose, gold would come against the issue of smaller notes, thus practically freeing the silver rupees held in the currency reserve. And this process of the expansion of the rupee currency to meet the wants of the people would go on automatically, undue expansion being checked, and the matter, to a great extent, being removed from the control of the administration by the further coinage of rupees being made dependent on the relative amounts of gold and silver in the currency reserve. There would be no power to touch this gold reserve, except for such restricted silver coinage, and if the currency gradually expanded without a contraction of the paper issue, the gold reserve would gradually rise. The scheme prohibits gold coinage, and though it does not prevent the receipt of gold at Government treasuries, it does not provide for gold (except the large 10,000 rupees notes) being legal tender. Provision is made that when any further coinage of silver rupees takes place, the difference between the nominal and intrinsic gold values of the silver coins shall be added to the gold reserve. The scheme empowers, but does not require, the Government, after the gold in the reserve (other than in the gold note reserve) has continuously for one year been more than silver, to notify that gold will be always given in exchange for rupees or notes presented for the purpose in parcels of 10,000 rupees. When the Government is able to issue such a notification, a perfect gold standard will have been attained.

6859. Now, the comment of the Government of India upon that scheme is as follows:—They say, "the other scheme we wish to mention is that " of Mr. L. C. Probyn, contained in a volume of " papers published in 1897, by Effingham Wilson. " Mr. Probyn proposes to establish the reserve of " gold in India, but in order to prevent the " gold passing into circulation and disappearing into " hoards (an object which Mr. Lindsay also has in " view), he proposes that gold should not be coined, " but that it should be kept in stamped bars of a high " value. We do not think it either desirable or " necessary that gold coins should, until the gold " standard has for some time been established, pass to " any appreciable extent into general circulation; under " the scheme we have above proposed, the bulk of the " currency in circulation, and practically the whole of " it outside the Presidency towns—in which the banks " might, like ourselves, hold reserves in gold coin—" would continue to consist of rupees and currency " notes. But we do not think it necessary, in order to " secure that result, to refuse to have legal tender " gold coins of a convenient value; we are, moreover " not satisfied that there would be any smaller " disappearance into hoards of the gold bars, which " would be easy to subdivide, than of gold coins. We " are also of opinion that the simpler and more direct a " monetary standard can be made, the more acceptable " it will be to the public. We think that the only " state of things which can be called a thoroughly " satisfactory attainment of a gold standard is one in " which the cold coins which represent our standard are " those also which are good for payments in England. " At the same time, if experience should hereafter " indicate that there is any advantage in having the gold " standard represented by a coin or piece of bullion too " large to be used for ordinary monetary purposes, the " course suggested by Mr. Probyn, or one like it, is " still open to us." Will you just say what you have to say in reply to the Goverment of India's comment?—To begin with the last paragraph, it seems to me that Sir James Westland's proposal is like shutting the stable door after the horse has been stolen. The great object is to adopt a plan which will command the confidence of the world generally. I think if it be found, as I think it will be found, that any scheme which provides for a currency tends to withdraw the gold from circulation it will be too late then to put it back. Then there is this other point. The Government of India's proposal is that they should prevent the coins going into circulation by their own administrative action. Now I think it would have a much more powerful effect, supposing it is right, as the Government of India admits, that the gold coins should not go into circulation at once, that it should be prevented by legislative action and put out of their power altogether. It seems to me that that would have a very much stronger effect. The Government of India's proposal to at once establish a gold standard is very different to mine which is to wait till the standard has become automatically established.

6860. Do you not establish it at once for exchange purposes; purposes outside India?—I do not call it a gold standard. I do not think the gold standard will be established as I have said until you can give the right to demand gold bullion for notes and silver rupees.

6861. But that is the last chapter of the work, is it not?—It is all tending to that.

6862. But what is your first step?—Gradually to accumulate the gold reserve.

6863. What is your answer to what the Government of India say about the danger which, as you have already indicated, is the danger of a gold currency—the danger of hoarding; what have you to suggest with reference to their point that bars would be easily sub-divided and hoarded?—My answer to that is that it is rather in the dim and distant future, and I would not release the bars until the rupee had acquired the gold value which we propose to assign to it. Then if the natives chose to absorb the bars in that way it would not be so much harm.

6864. How long do you think it would be before the Indian Government would be able to give gold in exchange for rupees?—I should not like to say. I believe that with the confidence which would be generated by the settled adoption of a gold standard policy, and by some such scheme for gradually acquiring a gold backing to the Paper Currency issue, the rupee would very shortly rise permanently to about the 16*d.* gold par, and that the present volume of currency would not be found, on the whole, redundant. The present cash reserve of the Paper Currency Department is, however, only R. 13,25,00.000, or, at 16*d.*, 8,833,000*l.*; and even if the greater part of this were held in gold, it would probably be too small for the

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Government to undertake to give gold in exchange for rupees and notes until the experience of several years had made it absolutely certain that there had been no redundancy of circulation other than that which could be met by the marginal gold currency which I have described. An expansion of the circulating medium might, however, have taken place, in the form of a large increase in the note issue, thereby increasing the metallic reserve, and making it possible to hold a larger reserve of gold. Under my plan the reserve of gold is necessarily limited by the bullion in the Paper Currency Department. They have only R. 13,25,00,000 there now, and I do not think that if the whole of that were held in gold at once that would be strong enough to undertake the convertibility of rupees and rupee notes into gold.

6865. What do you consider that your gold reserve ought to amount to before it would be safe?—That I cannot tell. If it were seen that gold was, by the action of natural causes, gradually ousting silver from the metallic reserve of the Paper Currency Department, the exchange would practically hover about the gold point, even without the Government undertaking to give gold for rupees. I believe that if the scheme had been adopted on a 15*d.* basis five years ago, the Government would have been able by this time to give such an undertaking with but little risk of its being unable to fulfil it. But my scheme has been so devised that the Government can feel its way, and need never commit themselves in advance to any liability which it is not fully prepared to meet.

6866. You fix under your scheme, 1*s.* 4*d.*?—Yes.

6867. Will you tell us why you fix 1*s.* 4*d.*?—I am quite sure 15*d.* would have been better if it had been adopted in 1893, but it would be something like a breach of faith going back now. Others took a different view, but it seemed to me that, when the Government formally told the world it was going to introduce a gold standard into India, and authorised the receipt of gold at 16*d.*, it pledged itself to the introduction of a gold standard at not less than 16*d.* People may have bought and held rupee paper and other securities on this undertaking. Besides, experience indicates that the present volume of the currency is nearly consistent with a 16*d.* rupee. For a year,—notwithstanding the troublous times through which we have passed, and the doubt as to the future policy of the Government which has prevailed, and the flow of capital from India to England, the result of that doubt,—the rupee has kept above 15*d.* and has sometimes reached the gold 16*d.* point. I believe that, as a matter of sentiment, too, the going back to 15*d.* would have a bad effect. It would be, to a certain extent, a confession of failure, and though, perhaps, the chief cause of the failure would be removed by the change, it would discredit the measure generally. Lombard Street, too, would probably prefer 16*d.*

6868. Why?—Because with 16*d.* India would not take gold so quickly.

6869. Then have you at all considered the effect upon the trade of India, of fixing the rupee at 1*s.* 4*d.*?—It stands to reason, and everybody admits, that a stable rate of exchange between two countries trading together is better for them than a varying rate.

6870. I think you heard one witness last week express himself in favour of 1*s.* 2*d.*. I know the reasons you have given us just now, with reference to 1*s.* 4*d.*; but, for the moment, forgetting those reasons, and simply looking at the state of trade in India, supposing the Government's hands were perfectly free, to fix the rate at 1*s.* 2*d.*, 1*s.* 3*d.*, or 1*s.* 4*d.*——?—I think the best rate for the trade of India is the rate which has worked out at the time. Here, on the one side, you have, say, a rupee's worth of wheat; on the other side, you have 1*s.* 3*d.* worth of Manchester goods, and you exchange the one for the other. The exchange, the 15*d.* or the 16*d.*, or whatever it is, is merely the nexus between the two. Of course, if you go arbitrarily altering that nexus, it stands to reason you must alter prices somehow or other, quite irrespective of any other causes.

6871. That is, if one gains by low exchange another loses?—Quite so; but I cannot see that anything could be disastrous to the trade of India if exchange were 16*d.*

6872. Your point is stability, and stability can only be assured by a gold standard?—That is my point.

6873. And you say that a gold standard is necesary in a country, 80 per cent. of whose trade is with gold using countries?—Yes.

6874. And that the ultimate and safe ends which a gold standard must reach is a gold currency, is that so?—Not a gold currency.

6875. The gold standard you ask for first?—Yes.

6876. But ultimately you mean that gold standard must resolve itself into a gold currency?—No, I do not think so.

6877. I understood you to say that it could not be completely effective until rupees were exchangeable for gold. Is not that a gold currency?—Not in small quantities, but in bulk.

6878. Still, in large quantities?—In large quantities.

6879. That is, that a man with 20 or 30 rupees is not to have gold for them, but a man with 10,000 rupees is to be able to get gold?—Yes, I should add this; that I quite admit that there are many reasons which would make it advantageous to have a gold currency as well as a gold standard; but I think that the disadvantages of a gold currency are so very material in a country like India, that at present I would not think of it.

6880. (*Sir J. Muir.*) I do not quite follow why you said it would be a breach of faith on the part of the Government of India to change from 1*s.* 4*d.*?—The Government of India have publicly announced, as Sir Henry Fowler has read to you just now, their intention to adopt the gold standard: and simultaneously they announced their willingness to receive gold in exchange for rupees at the rate of 16*d.* Supposing I, for instance, had bought Government rupee paper on the understanding in my own mind that that gold was never to be received at a lower rate than 16*d.*, I should think that the Government had, to a certain extent, committed a breach of faith with me in receiving it at 15*d.*, and, therefore, reducing the gold value of my rupee paper.

6881. But you thought the Government had made a mistake in fixing 1*s.* 4*d.* at the time?—Yes, I think it would have been better to have fixed 1*s.* 3*d.*

6882. Who are the parties who should be the best judges of a safe and permanent rate? Do you not think it is the merchants who are exporting produce from India, and the merchants who are importing what is required by India—the exporters and importers?—I should be a little bit inclined to say that independent parties with all the circumstances of the case before them would be the best judges of the most suitable rate.

6883. If, after a full trial, the great majority of the gentlemen I refer to, who have been interested for many years in the imports and exports, came to an opinion that it was impossible to make a 1*s.* 4*d.* rate permanent, and if, as we have had evidence here, 1*s.* 2*d.* is the better rate, would you see any special reason why 1*s.* 2*d.* should not be adopted?—I think if you adopt a 1*s.* 2*d.* rate it would throw discredit on the whole system, and there would be no security in the minds of the public as to what you were going to do next. They might say, "Well, "the Government first of all intended a 16*d.* rate; "they have not been able to get that; now they are "going down to a 14*d.* rate; they probably will not "get that, and they may go down to a 1*s.* rate; there "is no knowing where we are."

6884. Do we understand you to say that, supposing the Government come to be satisfied, after all the evidence had been taken that they had made a mistake in fixing 1*s.* 4*d.*, you would advocate their continuing to make that mistake?—Yes.

6885. You would?—I would, certainly.

6886. Even although they were satisfied that that would lead to the ruin of the country?—Of course you must not put that upon me.

6887. What is your opinion of the action of the Government of India in 1893, in closing the mints?—I think it was quite right as a step to the gold standard. I think if they had not intended to have a gold standard it would have been absolutely wrong.

6888. Would you be surprised to hear that a very eminent banker in the City of London who was before us the other day, regarded that measure as arbitrary and despotic?—I do not think I should be surprised to hear him say that; but it is one thing his saying it, and another thing my agreeing to it.

6889. I just wanted to point out to you that valuable opinions in the City of London differ from yours. Now, you thought 1*s.* 3*d.* would have been the rate. I have told you that eminent witnesses say 1*s.* 2*d.* Why do you prefer 1*s.* 3*d.* to 1*s.* 2*d.*?—When the mints were closed, the rupee was at 1*s.* 2$\frac{5}{8}$*d.*; it had never fallen below that.

6890. What?—The rate had never fallen below 1*s.* 2$\frac{5}{8}$*d.* before the mints were closed.

6891. Never?—No.

6892. But it fell after that?—Yes, it fell down to 1*s.* 0$\frac{1}{2}$*d.*, I think.

6893. How do you explain that?—As I have endeavoured to explain, in my opinion one principal cause of that fall was the uncertain policy of the Government. It is true, as Sir Henry Fowler has pointed out, and as I have pointed out in this book too, the Government pledged themselves—the Viceroy of India pledged himself—to the future adoption of a gold standard; but I may put it broadly that in 1894 and 1895 people, generally, did not believe him. There was a very large and very powerful bimetallist party who were dead against it, a certain number of gold men in the City were dead against it, and people did not believe in it. There was a want of confidence in it. The value of money and all these things depends, to a very great extent, on sentiment. Then, as I said before, I believe that the harm which was done by stopping the sale of Council bills in the last six months of 1893 was incalculable.

6894. How long did you say you had been connected with India?—25 years.

6895. I forget the exact time, but you are aware that we have often had remittances from India at 2*s.* 2$\frac{1}{2}$*d.* and 2*s.* 3*d.* Is that within your knowledge?—I did not know that it had been as high as 2*s.* 3*d.*

6896. Yes; I have had remittances myself at 2*s.* 2$\frac{1}{2}$*d.* and 2*s.* 3*d.* Is it not a reasonable thing that we should be content with the fluctuations of trade, as in those days when the rate was often over 2*s.*? Would it not be wiser for the Government of India to say, "We will, as in the past, leave the imports "and exports to fix between themselves the rate "of exchange," rather than that they should come, in what a witness the other day called an arbitrary and despotic manner, and fix 1*s.* 4*d.*? Would it not be better to leave the fluctuations of trade to fix the rate?—Do you mean to go back to the silver standard?

6897. Precisely so?—I do not think it would.

6898. You stick by 1*s.* 4*d.* if you cannot get 1*s.* 3*d.*, but you would not object to 1*s.* 2*d.* if that came to be the general feeling of the country?—I think it would be a great risk to go back to 1*s.* 2*d.*

6899. (*Sir D. Barbour.*) Do you think the permanent gold level of the rupee should have been settled at the time the mints were closed?—Yes.

6900. At what rate?—15*d.*

6901. It was difficult at that time to foresee what would happen?—Of course it was very difficult.

6902. Suppose the rupee had gone down to 1*s.*, and remained there permanently, and you had fixed 1*s.* 3*d.*, what would you have done?—I would have stuck to 1*s.* 3*d.* if you had fixed it.

6903. For how long?—Until you got your 15*d.* rupee by the absorption.

6904. Suppose that had taken 50 years?—I should have done it.

6905. Or a hundred years?—Yes.

6906. That would have postponed the gold standard indefinitely?—No doubt it would. If the rupee had gone down to 1*s.*, and nothing had ever brought it up again, that would have postponed the gold standard indefinitely.

6907. You would not have objected to a long period of waiting; you would have taken the risk of that?—Yes; but I do not think that the long period of waiting would have been possible.

6908. I do not know whether you have looked closely at the telegrams regarding the stopping of the sale of Council bills after the mints were closed?—I have not looked at them for some time, but I looked at them at the time.

6909. Did it appear to you that the Council bills, in the first instance at any rate, were stopped with the object of forcing the rupee to 1*s.* 4*d.*, or that the object was to try and steady the rate of exchange at something lower than 1*s.* 4*d.*; in fact to get a steady rate of exchange after the closing of the mints rather than a rate of 1*s.* 4*d.*?—I cannot say what I thought, except this—I thought that the object of stopping the sale of the bills was to get a higher price for those which were sold than the market was prepared to give.

6910. That, of course, would be the object, at least temporarily, but are you prepared to say that the object in the first instance was to get a rate of 1*s.* 4*d.*, or merely to get some rate which would remain fairly steady?—You will excuse me, but you must know what the object of the Government of India was in sending home those telegrams much better than I do.

6911. I do not ask what was the object of the Government of India, but what was the impression that you derived from reading the telegrams?—My impression was that it was part of the plan to put up the rupee to 1*s.* 4*d.*

6912. You are aware that the limit adopted was 1*s.* 3$\frac{1}{4}$*d.* or thereabouts?—Yes.

6913. That is below 1*s.* 4*d.*?—Yes.

6914. Do you think the stoppage of the bills did so very much harm?—I think it did.

6915. How did it do harm? I do not say it did not, but I want to know why you think that it did so very much harm?—Every failure does harm, and that was a complete failure. Then, you probably are aware of this much better than I am, you will see that when there is any attempt to force the price of Council bills by not meeting the natural demand for them, it is almost invariably followed by a re-action. To use an illustration that I used just now, to my view in the trade between India and England the commodities of India are exchanged for the commodities of England; you have, as I have said, a rupee's worth of wheat on one side, and (suppose the rate is 15*d.*) you have 15*d.* worth of Manchester goods on the other. The nexus between them is the rate of exchange. If you arbitrarily alter that nexus one of two things must happen, either this price must alter, or that price must alter; either your rupee price must alter or your gold price must alter, or there may be an alteration in each, and I say that a forced alteration, not a natural alteration owing to ordinary economic causes, but a forced alteration owing to your forcing the rate of exchange, must be bad.

6916. I did not at all challenge the soundness of your opinion, that the holding up of the bills to get an artificial rate of exchange did harm; I merely wanted you to explain the grounds upon which you hold that it did so very much harm, and those grounds you have explained?—Yes.

6917. Now you think that if gold coins were allowed to circulate in India, they would be largely withdrawn for hoarding?—I think so; including in hoarding, tying them round peoples' necks and arms.

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6918. And melting them down to make other ornaments?—Melting them down for ornaments; but I think the greater number of them you would see round the necks and arms of the people.

6919. I think you have seen them wearing gold coins?—At page 24 of my book I have quoted a case in point. One of my horsekeepers, a man drawing a wage of only six or seven rupees a month, had a little boy of whom he was very proud. Now, I have seen that boy with absolutely not a particle of clothing on him, but with four gold Russian coins round his neck.

6920. At that time the Russian gold coins were not legal tender in India?—No.

6921. And, nevertheless, they were used in this case for a necklace?—Yes.

6922. At present, gold is not so very largely used for hoarding and ornaments—not so largely used as silver?—Not so largely used as silver, but it is used to a very considerable extent, there is no doubt about that. May I make this clear to the Committee? I may be wrong, but my view is this, that if you put gold coins into circulation it will be like, as it were, opening a retail shop at everybody's door. The gold coins are thrust before the people. You, as it were, create a demand for them. They see them. That is my view.

6923. That is to explain the additional hoarding that you fear?—If the coins are in circulation they will be offered to the people. It is just like putting up a thing in a shop window in the street, except that they have nothing to pay for their manufacture.

6924. The man you speak of, whose wages were six or seven rupees a month, would not frequently have been offered a sovereign, which would be worth 15 rupees even if sovereigns were legal tender?—No, he would not, but he could get it.

6925. He could get it now?—No doubt.

6926. If a gold standard is established there will be a fixed ratio between gold and the silver rupee, which would make the bargain more easy for him, because he would know how many gold coins he ought to get for a certain number of rupees?—No doubt it would come to that.

6927. But he would not be offered gold coins in payment; there would be the advantage that gold coins would not be thrust upon him?—No.

6928. But otherwise there would be no difference as regards this matter between your scheme and the Government of India's scheme?—No. Of course, the great difference between my scheme and the scheme of the Government of India is that the Government of India would introduce theirs at once, and I say that I would not complete the gold standard until the Government were quite certain that things had adjusted themselves so that they would be able always to give gold for rupees, and that might not be for a very long time after.

6929. Suppose, in the meantime, the rate of discount remained very high in India; would you do anything to meet that, or would you just endure it?—I am certainly very much against the idea of forcing gold from England to India. If the Government force gold from England to India they can, no doubt, make money, and make the circulation, more plentiful, and meet that objection. I think circumstances might arise in which it would appear that such serious injury was being done to the trade of the country by deficiency of currency that it might be necessary to do what I certainly do not advocate—that is, to increase the circulation by sending gold to India; or the possibility has occurred to me of buying gold of the Mysore mines at whatever the value might be, and the Government making good the difference between the real value and the nominal value of 16*d.* out of the Treasury, and increasing the circulation in that way.

6930. But, suppose the Government buy we will say five millions of gold and coin it and put into its treasury, that would not relieve the stringency of the money market, would it? There would be no more money in the banks?—If they sold bills against that five millions I think there would be. I am speaking, of course, with great deference, but I think if the Government sent out five millions of gold to India and sold their bills against it——

6931. Sold bills against it here?—Sold bills on India.

6932. Increased the sale of Council bills?—Yes, surely that would relieve the stringency.

6933. But at what rate of exchange would you sell?—That is another question altogether.

6934. You would hardly expect the Government to sell bills at a rate which would be cheaper to the purchasers than if they sent out gold themselves?—I am not in favour of its being done at all, but I think if that were done, if gold were sent out, it should be only in consequence of some ascertained commercial inconvenience caused by the insufficiency of the currency.

6935. At any rate, your opinion is that, if the rate of discount kept so high in the busy season as to prove a very serious injury to the country, such steps as might commend themselves to those in authority at the time ought to be taken to remedy it?—I think so, if you were quite certain that it was injuring trade. Of course it is very difficult to say whether it is injuring trade or not.

6936. As regards the question of hoarding, we have had evidence that a number of people are too poor to hoard silver or to use it for ornaments. Do you agree with that?—Some are too poor, but a great number are rich enough to do it, and they do it.

6937. The evidence we had was that the people who came on the famine relief works, as a rule, had been so poor that they had not silver ornaments, and therefore were not the class of people who would sell their ornaments when the pinch came?—I should think they would probably have sold them before they came on to the works.

6938. What would you give to the people who brought gold in quantities, say of 10,000 rupees; would you give them notes or silver?—Notes or silver, whichever they liked. Of course I am talking generally.

6939. Where would you find the rupees to give them? Would you take the silver out of the ordinary treasury balances or out of the currency reserve?—Out of the currency reserve.

6940. They bring you so much gold and you put it into the currency reserve and pass out so many rupees to them?—Yes.

6941. If the number of rupees in the currency reserve was diminishing very largely what would you do?—I provide in my scheme to give power for the coinage of rupees, but my answer generally to your question is this, that if the constitution of the currency reserve was rapidly changed from silver to gold, you would have done the trick.

6942. I am not putting this as an argument against your scheme. I am merely trying to make clear in my own mind what your scheme is. You would have been approaching, you mean, an effective gold standard?—Yes.

6943. But if the silver rupees were being exhausted in the currency reserve you would coin more?—I provide under my scheme for preventing the Government from coining until at least half of the metallic reserve of the Currency Department is in gold. I would not let them coin silver until then.

6944. What would they do in that case? Would they take so much gold out of the currency reserve and sell it and replace it by rupees, or what would be done exactly?—Either one thing or the other. On page 118 of my book in the draft Act you will find this "and may either issue notes in payment for such "silver at its bullion value, or pay for it at its bullion "value either in gold or silver from the general "metallic reserve." Of course it really comes to exactly the same thing.

6945. What do you call the general metallic reserve; so far we have got no gold in the treasury balance; it is only a paper currency balance?—That is all.

6946. But here you say, "either in gold or silver "from the general metallic reserve." What is the general metallic reserve? — The general metallic reserve of the paper currency department is now 13¼ crores of rupees or, say, 8,833,000*l.*

6947. You would not look to paying it all in gold? —By gold or by notes.

6948. A certain proportion of gold in the Paper Currency Department would be used to purchase silver for coins?—Yes.

6949. There would be a profit on that?—Clearly.

6950. What would you do with that; would you put that into the general treasury balance?—No, I put it into what I call an equivalence fund.

6951. A special reserve?—Yes. Say you coin a crore of rupees, and it costs you 80 lakhs. I put the 20 lakhs in gold in a special ear-marked gold reserve.

6952. Now, why do you object to gold being hoarded? Why should not people hoard the standard of value of the country if they want to do so?—The only reason I object is because it may make the attainment of the gold standard, which many of us so much desire, so much more difficult.

6953. In what way? Do you think the gold would be withdrawn from circulation?—Yes, it would.

6954. When we had a silver standard, rupees were hoarded and melted down, but the rupee circulation remained just the same. Why should not that happen in the case of a gold standard?—Well, when you get your 16*d.* rupee it will be all right; but I am going on the assumption that you have not got it yet, and I do not know when you will get it. When you do get it, and when the money of the country is firmly established at the rate of 16*d.* in gold for the rupee, then, no doubt, people will hoard it as much as they please. You cannot object to their hoarding it.

6955. Then the only objection, I understand, that you have is that if coins went into circulation they might be hoarded, and your gold backing might be lessened?—You would not get it so quickly.

6956. It would disappear as it came in?—Yes, and also there is one other point. Of course there would be a greater demand for gold on the gold stock of the world.

6957. I do not know whether you think there is any force in that argument or not; but the first argument is that the gold would be withdrawn from circulation, and therefore it would take you a longer time to accumulate a sufficient backing for your gold standard?—Yes.

6958. I suppose you would admit that if the gold standard were established, and gold coins were circulated, any withdrawal of gold from circulation would be met by a corresponding import, in the same way as happened when the silver standard existed. If silver rupees were withdrawn and melted into ornaments every year, silver was imported every year, and went into the mint?—I would rather like to put it in this way: If gold did come in that way to replace any of the withdrawals, you would have your perfect gold standard.

6959. The net imports of gold into India are about two or three millions sterling? — Of course they have been much more than that.

6960. But at the present time they are two or three millions sterling? — In 1895-96 they were 2½ crores of gold.

6961. There is now a considerable production of gold in India, and at any rate, there is two millions or three millions sterling worth of gold used in the country now every year?—Yes.

6962. Do you look forward to the time when that gold, in the ordinary course of business, will come into India, and come into the mints to be coined? In the old days almost all the silver that went into India was sent to the mints, and was coined, and the coin was sent out in the form of rupees, and used for any purpose for which rupees or silver were required. Do you look forward to the time when all the gold that comes into India will be sent to the mints, and as much as may be required will be gradually taken out of circulation for ornaments, for hoarding, or for any other purpose?—I should think so, when once you have a gold standard.

6963. Do you think that the withdrawal of gold for hoarding would make such a serious impression upon the stock of gold in the world as to make it desirable to prevent hoarding? — It is my individual opinion that it would. Of course, it is only a matter of opinion. You cannot tell at all until it is really tried.

6964. You know how largely the production of gold has increased?—Yes.

6965. And you know that it will certainly be much more?—Yes.

6966. Do you still think that the hoarding in India might be a danger?—I am quite sure it will be a difficulty.

6967. The question is whether it would be a danger as regards the stock of gold in the world, a danger in the way of causing a serious appreciation of gold?—Hardly, I should think; but, whatever danger there is, I am quite certain it would be accentuated by sovereigns, as we may call them, passing into circulation.

6968. If there was really any such danger, would not that be a serious objection to attempting to establish a gold standard at all; I do not say there is such a danger, but if there was would not that be a serious objection to the establishment of a gold standard?—It might make it more difficult. I do not think it would be sufficient to require us to give up the attempt.

6969. At the present time the exchange has come to nearly 1*s.* 4*d.*?—Very nearly.

6970. Do you look upon it as quite certain that that is permanent?—Oh, no; I think a great deal will depend upon the report of this Committee.

6971. But I mean if things are left as they are, do you think there is any risk of the exchange going seriously below 1*s.* 4*d.*?—I think if things are allowed to slide as they are, it may go down very much lower. You cannot tell.

6972. But with the currency contracting, as it said to be contracting now, would the tendency be for the exchange not to fall below 1*s.* 4*d.*?—It might be, but there are other causes at work.

6973. What are the other causes?—I think the principal one is mistrust.

6974. Do you think mistrust would put the rate of exchange down permanently or temporarily?—As long as it lasted. I think one thing which regulates the value of the rupee is the prospect of what it will hereafter realise in gold.

6975. Do you not think that if the exchange fell largely from mistrust or panic, that fall would stimulate exports and check imports, and bring about a balance of trade which would cause the exchange to rise?—Perhaps so.

6976. Do you think the large borrowing in recent years has had any effect on the rates of exchange?—I think it has.

6977. It has helped to keep it up?—Of course.

6978. Do you think the last good harvest has had an appreciable effect?—No doubt.

6979. I dare say you admit that the rate of exchange might rise and fall without any alteration in the quantity of currency?—My view is this. Of course this does not directly apply to India, but with an ordinary silver standard country, as India was before the closing of the mints, the volume of the currency depended more on the value of the rupee than the value of the rupee depended on the volume of the currency.

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6980. You say the volume of the currency depended on the value of the rupee?—Yes, I think the volume of the currency adjusted itself to the value of the rupee.

6981. Do you think if the rupee suddenly fell 20 per cent. at a time, the volume of the currency would immediately fall or rise also?—It would not at once, but it would tend to do that.

6982. (*Sir A. Dent.*) One question about the note currency. Your scheme is entirely based on a paper currency, is it not?—It is based on the existing Paper Currency Department.

6983. That is to say, it provides for the use of paper currency against metal?—Yes; but you have already a Paper Currency Department in India at present. My scheme is simply this: You could exchange your existing notes into gold; *ipso facto* that puts your rupees which you exchange into notes on a gold basis. Suppose you have 10,000 rupees. You go and exchange them into notes, and then take your 10,000 rupee notes and exchange them for gold.

6984. To carry out your scheme you would have to add very largely to that paper issue against metal?—Not necessarily.

6985. My real point is this: Is it possible to keep any large amount of paper currency in circulation in India? Will not it be presented for payment almost as soon as it is issued?—It has not increased very largely of late except temporarily, owing, I think, to temporary causes. A great deal depends on the amount of the Government balances; but it has gradually increased. There is a tendency to increase.

6986. Then the natives do not object to holding paper?—Oh, no; some of them like it.

6987. I thought the natives rather objected to having paper?—We have some people who are more ignorant, of course, than others; but my evidence on this subject would not be worth much, because it is so long since I left India, and I have no doubt they have got better.

6988. (*Mr. Holland.*) These papers with which you have favoured us, I see, bear date some years ago?—Yes.

6989. Although they are rather old, some of them, and a good deal of experience has been gained since they were first written, I should like to inquire whether your view has been modified by that experience, or do you still hold to the views you expressed at the time you wrote these papers?—I think I do. Of course, I think as I have got older I have got a little bit wiser; I hope I have. I may say that, at one time, I did not see the difficulty of changing from silver to gold quite so forcibly as I see it now. My first idea was this: I always had the impression that any change which you might make should be merely at the ratio of the day. My first suggestion was that the rupee should be fixed at 1*s.* 6*d.*, and I think at that time the rupee was at something like 16½*d.*, I am not quite sure. I think, if I had to begin again, I should certainly put it lower than 1*s.* 6*d.* As you will see, my subsequent suggestion was to put it at 15*d.*

6990. And although the difficulties have become more apparent in the interval, that would not deter you from pressing forward a gold standard?—Not a bit. I should like to mention this: One great difficulty in the way of the scheme appeared to me to be the unknown quantity of hoarded coined rupees in India. That difficulty has proved not to be anything like as formidable as I feared it might be. Another difficulty which I always apprehended was the political difficulty caused by the divergence between the present rupee value of the hoards of uncoined silver in the way of ornaments and the rupee price which the people gave for them. That difficulty has not turned out to be so great as I first of all thought it would be. In fact, so far as I can understand, the natives are, to a very great extent (this is only second-hand evidence), taking advantage of the low rupee price of silver to turn it into ornaments.

6991. Of course, it goes without saying that you prefer your own scheme to any other which has been brought before us; but as between Mr. Lindsay's scheme and the scheme of the Government, which of those two would you prefer?—I prefer Mr. Lindsay's scheme to the Government's scheme, I think, but not altogether. I think Mr. Lindsay is wrong in not keeping his gold reserve in India.

6992. It probably might not be long in getting to India?—Well, he makes no provision for its getting to India at all.

6993. Do you think that the Government proposals are practicable?—There are two points on which I differ with the Government's proposals. First of all I would not force gold to India as they propose to do by borrowing money in England and sending it to India. I would rather myself wait five years to get five millions of gold automatically in the natural course of trade, than I would get five millions at once by its being forced.

6994. Of course, I am prepared to hear that yours is the better scheme, but do you think the Government proposals are practicable if the Government set their face to carry them out?—I think it would be a mistake to melt the existing rupees.

6995. You think that the convertibility of rupees into gold is quite essential?—Before you get your gold standard; but I say it may be several years—many years—before you arrive at that stage under my scheme.

6996. You think that convertibility would by this time have been attained if Government had originally fixed 1*s.* 3*d.*?—I think so.

6997. And if convertibility had been attained, then the trying period of suspense through which we are passing would have come to an end?—Yes.

6998. Is not that one of the most important objects at which we could aim, to terminate the period of suspense which has been so disastrous?—No doubt.

6999. This period of suspense, I dare say you will agree, is responsible for the scarcity of loanable capital in India which has been the bane of the situation as far as I can gather?—The period of uncertainty, yes.

7000. We had a very important witness before us, who said that he preferred immediate convertibility at 1*s.* 3*d.* rather than have any delay in attaining convertibility at 1*s.* 4*d.* You do not agree with that?—I do not think so. I think you would injure your whole scheme by it. I think the moral effect, if you like to call it so, of going back to 1*s.* 3*d.* would be very bad.

7001. You have told us that it is quite impossible to estimate the quantity of gold that would be required under your scheme?—Quite impossible. I could not estimate it.

7002. And in the same way it would be quite impossible to estimate the interval of time that would elapse before the establishment were successfully carried out?—Yes.

7003. Those are serious blots upon any scheme?—Meanwhile, I think, every day the position would be getting better.

7004. (*Mr. Campbell.*) You are aware, no doubt, that your scheme gives the holder of gold notes a very valuable option?—No doubt it does.

7005. That is the option of demanding cash for his notes or demanding to have the gold back again?—Yes.

7006. Supposing 1*s.* 4*d.* is the gold point, if the exchange falls below 1*s.* 4*d.*, gold would rise in value?—Yes.

7007. And these gold notes that you propose to issue might command a premium?—No doubt.

7008. Whenever gold rose to bullion point, would not that fact make gold a very desirable remittance to India as compared, for instance, with Council bills?—Yes.

7009. A Council bill only commands cash, but your note gives the holder the option of commanding either cash or gold back?—Yes.

7010. Then, if you give the holder of your gold note that option, that fact might very seriously interfere with the sale of Council bills whenever exchange rose to near bullion point. Suppose the bullion point is 1*s.* 4*d.*; at 1*s.* 4*d.* would you, as a remitter, prefer to take a Council draft which you could only cash, or would you prefer to take a gold note which you could either cash or sell at a premium afterwards?—If it acted in that way it would be bringing about just exactly what I want. It would be bringing about the remittance of gold to India.

7011. But how about the sale of Council bills? That is a necessity?—It would not go on for ever. I did not like to look at it in that sanguine way, but it would all be in favour of getting gold to India, which I want.

7012. But you must sell the Council bills. If you get the gold to India at the expense of not selling your Council bills, would that be an advantoge?—But you would get your remittances back again. Suppose you had all this gold in India you could send it back to London instead of your Council bills.

7013. Send them out and back again?—I hardly like to differ with you, but I think that is taking a much more sanguine view than I should take of my proposals.

7014. I only put it in this way, that if the exchange rises to 1*s.* 4*d.*, people would remit in gold, which might command a premium afterwards, rather than in Council bills, for which they would only get cash?—I think they would; they might. I will not say they would.

7015. (*Sir F. Mowatt.*) And that would reduce the price at which the Council bills could be sold?—But, at the same time, Mr. Campbell's hypothesis involves gold coming to India, which is my object.

7016. (*Mr. Campbell.*) I mean, exchange rising to the gold point. Your object, of course, is gradually to acquire a stock of gold in the Currency Department sufficiently large to enable you to get ultimately convertibility?—Yes.

7017. From that point of view, would you consider it desirable to introduce a condition which discourages gold going to the Currency Department as long as it can be held back? A man who held a gold note would not cash it as long as he could avoid doing so, as then he would lose his power of commanding the gold?—Clearly.

7018. Would not that rather tend to tell against your object—the object of accumulating gold in the Currency Department?—I do not think so. You would get gold for these gold notes which you otherwise would not get at all. You would not prevent any gold going to the Currency Department. On the contrary, say a bank in India might have a certain proportion of its reserve—I do not say it would have—but it might have a certain proportion of its reserve in these gold notes. Suppose a pressure for circulation purposes came on, they would, no doubt, cling to these notes as long as they possibly could; at last the pressure would be too great for them, and they would have to change them into the ordinary circulation of the country.

7019. Still, might not the Presidency banks keep their reserves in the form of gold notes to a very large extent?—No doubt they could.

7020. I think you propose that as long as the gold note is outstanding, the gold is to be kept in the gold reserve against it?—Yes; it is ear-marked.

7021. I think you said that if a man had gold notes and rupee notes, he would cash the rupee notes before he would cash the gold notes?—Clearly.

7022. A good deal of gold might come out in this way which would never reach the Currency Department at all; it might be floating about the market in the shape of gold notes until those notes could be sold at a premium, and then the gold would be withdrawn?—Yes.

7023. Either for re-shipment back to England or for use in the country?—Yes, and to that extent the General Currency Department would not be benefited at all. The only point is that the gold would be on the spot, so that in case of pressure it could at once be utilised.

7024. Do you think it would be desirable to have two kinds of currency notes circulating together, one a currency note pure and simple, which would be the rupee note, the other a combination of the currency note and the gold warrant?—There is no doubt that my scheme is theoretically unsound, but I will tell you another thing that is unsound. In Berlin, if you hold 2,000,000*l.* of gold, you cannot get that 2,000,000*l.* of gold from Berlin. Of course, the difference I have mentioned between the value of my gold note and what you call the cash of the country would be sometimes very much greater than the difference between the value of the gold at Berlin and the cash there; but it is the same principle, and the same thing applies to Paris too. You have your double system there. It is not, theoretically, sound.

7025. But is it necessary in your scheme that there should be that double system of notes? What do consider the advantage of issuing a gold note instead of issuing cash at once, and taking the gold direct into the Currency Department?—The result is this. I think it would have a tendency to coax gold to India. It might. I do not say it would, but that is my object instead of forcing it to India as the Government propose. I say that is no good. I would rather coax it to come to India. Of course, it is theoretically unsound I admit, but I think that, practically, it might do some good.

7026. You do not approve of sterling borrowing in order to acquire a stock of gold?—Certainly not.

7027. You prefer the gradual operation of trade influences?—Yes.

7028. I daresay you are aware that India has always commanded a large balance of the precious metals?—Yes.

7029. She has always been able to import largely gold and silver?—Yes. There has been a great deal of misapprehension in consequence of a letter published by Sir Robert Giffen alluding to India as a debtor country. I think that is very misleading and absolutely incorrect.

7030. She has always been able to import sufficient of the precious metals, not only for currency, but for hoarding and every other purpose?—Very large quantities.

7031. And you see no reason why she should not continue to be able to do so?—No.

7032. On page 45 of your book you use rather an important proviso with regard to that. You say, "if a reasonable rate is fixed." And again, on page 61, you say, "If the rate be not fixed too high." At that time you were in favour of a 1*s.* 3*d.* rate?—Yes.

7033. As regards your belief that a reduction from 1*s.* 4*d.* to 1*s.* 3*d.* would be a breach of faith, I suppose you are not aware that at the time the scheme of 1893 was carried through, it was expressly left open what should be the rate. Although 1*s.* 4*d.* was mentioned as the rate at which gold would be received in exchange for rupees, it was distinctly stated, both in the report and in the despatch of the Indian Government, that the rate was to be subsequently fixed according to the light of experience?—As I read the report and the minutes appended to the report, I take it to mean that the rate would never be lowered, but might be raised. I cannot give chapter and verse for that, but that is the impression it left on my mind.

7034. The idea was, no doubt, with a view to a rise of the rate, but if a rise, why not a fall? One would be a breach of faith equally with the other, would it

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not?—Well, you see, we were embarking on a new venture, and the indications which were being held out in the course of that venture were that the rupee would go to 1*s.* 4*d.*

7035. And, if experience showed the necessity for it, it might be altered one way or the other. I think that was expressly kept open. Why would you consider it more a breach of faith to revise the rate between gold and silver than to close the mints altogether? While the mints were open, any man could come and bring silver, and have it coined into rupees. Is it not a breach of faith, equally, to close the mints, and deprive the holders of silver of that privilege?—I will put it in this way. There is no doubt when the Government closed the mints to the coinage of silver as a first step towards a gold standard, it was, to a certain extent, a breach of faith. That was one breach of faith, but then here is another one—to my view not such a big one, but it is another one.

7036. Notwithstanding the fact that the Government expressly kept the point open?—Yes; but that was not the way in which it was generally taken.

7037. If it applied in one way, it surely ought to apply in the other also?—There is no doubt that the way in which it was put led the public to think that that was the rate aimed at for the rupee; and, as you know, immediately after the mints were closed there was a great speculation in rupee paper in consequence, which had the effect of putting up the exchange to that rate, temporarily.

7038. I suppose you will admit that at 1*s.* 3*d.* your scheme would more easily be carried out than at 1*s.* 4*d.*?—Undoubtedly. I will not say now, because the world generally knows that we have been trying to get a 16*d.* rate, and I think if you went back now it would be a confession of failure, and people would not know how much further you might hereafter go back.

7039. Your scheme provides that, when a gold note is issued, the gold is to be transferred to the currency reserve?—Yes.

7040. And cannot be taken out of that until convertibility is declared?—No.

7041. As regards the public, that would be absolute?—Absolute.

7042. Would you give the Government any privilege?—No.

7043. You would not permit them to use a portion of the gold if the exchange were to fall say one farthing below your price. You would not give them the privilege of sending home a portion of the gold?—No, except where it was necessary to increase what you call the cash circulation of the country; and then, if the proportion of gold to silver admitted of it, I would allow silver to be bought and coined.

7044. Supposing there were, say 4,000,000*l.* or 5,000,000*l.* of gold in the Currency Department and the rate of exchange were to fall to, say, 1*s.* 3½*d.*, would it not conduce to the stability which you so much desire if the Government were to have the power of sending home so much of that gold instead of selling bills at the lower rate?—I do not think it would in the long run. I think the assurance of the public that the gold had been gradually accumulating there would conduce more to the stability of the rupee permanently than any temporary rise in the rate of exchange.

7045. Then as regards your equivalence fund you would propose to put the profit of any coinage into a fund bearing that name in order to secure the difference between the nominal and the intrinsic value of the silver which was coined?—Yes.

7046. How would you make the fund effective for that purpose?—It would not be effective for that purpose until the Government had undertaken to give gold in exchange for notes and rupees, but suppose that fund went on growing it would tend to enable the Government to make it effective.

7047. Do you mean that it would enable the Government to purchase gold again in order to exchange for rupees—to purchase gold and bring it out to India and cover the loss by a transfer from this fund?—It would go on to strengthen the gold currency reserve. If you will turn to page 52 of my book you will see my plan illustrated by a purely hypothetical statement. The last column is the equivalence fund, or, as I call it there, a "special gold reserve to meet new silver." It ends in gold to the value of a crore of rupees having been added to the currency reserve as the result of 5 crores of new silver coinage.

7048. But after convertibility was declared, suppose the reserve of gold were tending to disappear, would you use the equivalence fund to purchase gold to enable you to continue conversion?—After convertibility is declared I propose to merge all the gold reserves into one; the gold note reserve, the ordinary reserve of the Currency Department, and the equivalence reserve.

7049. How would you maintain the difference between the nonimal and the intrinsic value of the rupee?—Perhaps you would allow me to explain that by reading from page 119 of my book. I say "on the "issue of the notification prescribed by section 17 of "this Act, transfers to the equivalence fund under "sections 14 and 16 shall cease and the gold then in "the equivalence fund, and the gold in the gold note "reserve, shall be transferred to, and form part of, the "general metallic reserve. And all the gold in this "general metallic reserve shall be available for securing "the exchange into gold of gold notes, rupees and rupee "notes, without priority of either over the other, and "the gold notes and the rupee notes shall be deemed to "have been issued on, and the rupees in circulation "shall be deemed to be supported by, the security of "such general metallic reserve, and of the invested "securities as well as by the general credit of the "Government of India." I put them all into a lump together, and there is an end of it. Once the notification is issued, there is an end of the whole thing, because you have your gold standard.

7050. But suppose the gold disappeared, what would you do then?—Then it would be a failure.

7051. Would you propose any limit to convertibility?—No, except that I would not convert anything less than 10,000 rupees.

7052. But supposing the reserves were reaching the vanishing point, you would not give the Government any option?—No. Of course, what would happen then I do not know, but it would be a failure.*

7053. (*Chairman.*) You told us in the early part of your evidence that the rate of exchange was practically fixed by trade requirements. What effect on the rate of exchange has the price of silver?—I do not believe it has any other effect than the bullion value of piece goods, for instance; that is my opinion.

7054. That is, the gold price of piece goods?—The gold price of piece goods in England, and the rupee price in India. I think it acts in exactly the same way. Perhaps silver is a commodity which finds a readier market, but I believe that is the effect of it.

7055. You do not think that the low price of silver affects the rate of exchange?—I do not think so, except as any other commodity. I am very strongly of opinion that something might be done, by giving facilities for refining &c., to coax the gold production of India to stay in India, instead of being brought home and taken out again. I have got particulars from one of the principal gold mines in India of the cost of remitting their gold from India to England and refining it, which I thought might be interesting to the Committee. (*The Witness handed in the following statement*).

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* *Note added by Witness* :—

My safeguard against failure is that the notification would not be issued until the Government was certain of its ability to carry out what it undertook. Though my ideal standard would not be reached until the notification had been issued, the gold standard would be practically secure when the gold notes had become a material part of the effective circulation.

Particulars of gold produced from an Indian mine in the month of April 1898, exchange 1/3⅞*d.* :—

	£	*s.*	*d.*
Gross produce of 4,202 ozs. of bar gold (silver included).	15,781	9	10
Commission at ⅛ %	19	12	5
	15,801	2	3
Deduct :—			
Melting and assaying	5	11	0
Refining	70	0	7
Indian freight and insurance	42	6	6
Ocean freight and insurance	101	3	1
	219	1	2
Net produce in London	£15,582	1	1

Cost at above rates on produce of 1,500,000*l.* :—

	Percentage.	£
Melting and assaying	·035	525
Refining	·443	6,645
Indian freight and insurance	·268	4,020
Ocean „ „	·640	9,600
Total	1·386	£20,790

Mr. L. C. Probyn.

18 July 1898.

The Witness withdrew.

(*For Mr. J. F. O'Conor's evidence on this day, see supra p.* 48.)

SIXTEENTH DAY.

Tuesday, July 19th, 1898.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr. ROBERT STEEL, C.S.I., called and examined.

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7056. (*Chairman.*) Will you tell us your address, and what qualifications and experience you have?—My address is 2, Ryder Street, London. I was formerly a merchant in India. I resided in India altogether 27 years. I was mercantile member of the Legislative Council of the Viceroy for four years.

7057. Under whose viceroyalty was that?—Lord Dufferin's and Lord Lansdowne.

7058. You have had considerable experience not only in connection with mercantile affairs generally in India, but especially in reference to jute?—Yes, I have been President of the Chamber of Commerce of Bengal, and for many years a member of the Port Trust.

7059. Were you opposed to the closing of the mints in 1893?—I was.

7060. Will you tell the Committee your reasons?—Because it appears to me that you must have either a silver or a gold currency. If you have a sound currency at all, it must be based on the one metal or the other. I disapprove entirely of the idea of having a gold standard without a gold currency.

7061. I will bring you to that in a moment, but for the present, will you confine yourself to telling us what were your opinions at the time of the closing of the mints?—It appeared to me that it was a disturbance that was absolutely unnecessary. India was not suffering in any way from a depreciation in the purchasing power of the rupee.

7062. But do you not think the Indian Government was suffering?—The Indian Government might have been suffering, but all they lost was going into the pockets of the people, and it was easy for the Indian Government, by some change in their fiscal arrangements, to re-imburse themselves without any undue burden on the people.

7063. Could they have re-imbursed themselves without additional taxation?—It would not have been additional taxation, if the purchasing power of the rupee went down, to charge a greater number of rupees.

7064. But the Indian Government has to pay a certain amount of gold in London, and that gold is practically remitted, as you know, by means of the Secretary of State's drawings. If he draws at 1*s.* 4*d.* the rupee, there is only a certain number of rupees to be found for the purpose. If he draws, as I unfortunately had to do, with the rupee at 1*s.* 0½*d.*, a greater number of rupees have to be found?—Let me give an illustration of what I mean. Suppose the salt duty is 2 rupees 8 annas per maund, and the purchasing power of the rupee falls, it will be perfectly fair upon the native to charge a greater number of rupees per maund as duty on salt.

7065. Do you propose to increase the salt duty?—I am bringing that forward as an illustration. I would put it on salt and other things too. I may say that the land revenue automatically increases with every fall of the purchasing power of the rupee.

7066. They have to find a certain number of rupees. I do not quite follow you?—With every fall in the purchasing power of the rupee the producer

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gets more rupees for his produce. The land revenue is based on the produce of the soil. The Government takes a certain share of the produce of the soil. If the number of rupees produced by the soil increases, the Government are entitled to take a greater number of rupees.

7067. Is that so?—Undoubtedly.

7068. I am under the impression that the land revenue is fixed every 30 years?—But these settlements are continually falling in, The Indian Government are continually making re-settlements.

7069. But not re-settlements with the same man. When a settlement is fixed for 30 years they cannot re-open it?—But these are falling in, and there is no reason why the Government should fix upon 30 years. It is a mistake to make such a long term of settlement. There is no reason why the Government should not make a settlement every 10 years. In that case the difficulty would disappear.

7070. Do you consider at the present time there is any insufficiency of currency in India?—Last year or two, undoubtedly, there has been a very great stringency of money.

7071. To what do you attribute that stringency?—To the closure of the mints.

7072. Has that stringency prevailed both in the slack season and the busy season?—It is intensified in the busy season, and even in the slack season there is a considerable stringency. The money rate has gone down now to 6 per cent., but it prevailed in Calcutta at 12 per cent., and a man who wanted to borrow money, even giving first class security, had to give 12 per cent.

7073. What do you think was the cause of that?—I think the special factor was the closure of the mints.

7074. But the mints are closed to-day, and the bank rate has gone down to 6 per cent.?—That is because business is not active. This is the slack season of the year in India.

7075. But I understood you to say that the stringency prevailed, both in the slack season and in the busy season?—To a certain extent. We have money now at 6 per cent., and probably it would have been 4 per cent. but for the closing of the mints, and we do not know whether it will not be worse than ever in the next busy season.

7076. Do you attribute that at all to a deficiency in loanable capital?—Entirely.

7077. Then you think capital is leaving India?—I have no doubt of it, whatever.

7078. To what do you attribute that?—To the uncertainty as to the value of the rupee.

7079. To the instability of exchange?—To the opinion entertained by the financial world that the Government will be absolutely unable to maintain the 1*s.* 4*d.* rate. They think that the rate will probably go down very considerably, and they are afraid to send out money for investment. The truth is this: suppose a financial man finds that he can get 12 per cent. in India, and he can only get 3 per cent. in England. That is a great inducement for him to send out money for investment, but when the financier expects that the Government will be unable to maintain the 1*s.* 4*d.* rate, he thinks that all he has gained in interest, and perhaps more, will be lost to him when he comes to have his capital returned to England.

7080. If the rate of exchange were fixed, do you think that that fear would be warranted?—In the financial world they doubt the power of the Government to maintain the rate. So far as I can gather, they agree with me, that it is utterly impossible.

7081. Are you in favour of the re-opening of the mints?—I am.

7082. At once?—Well, I would take some gradual steps to do it, so as to avoid disturbing the existing contracts as much as possible.

7083. If the Government announced their intention to re-open the mints, even if they did it gradually, would not the effect be practically the same?—No, it would come gradually. There are plans by which it might be brought about gradually.

7084. If the mints were re-opened, to what do you anticipate the rupee would fall?—The effect of re-opening the mints would be to cause an advance in the price of bar silver and a decline in exchange. The two would meet somewhere between the principal points. The rupee at present is worth intrinsically 11*d.*, and exchange is at something like 1*s.* 3½*d.* The price of bar silver would go up and the exchange would go down till they met. I do not say at what point they would meet, but I think it is only reasonable to suppose that they would meet about half way.

7085. Do you think an annual demand of rupees equivalent to 6 crores of silver would raise the price of silver?—I think it must do. We have no demand now, practically, and if the mints were opened there would be a considerable demand, which must raise the price of silver.

7086. Of course you are aware that under the Sherman Act there was the prospect of a rise?—And that had an extraordinary effect on silver. Silver went to 56*d.* an ounce.

7087. For how long?—As soon as the purchases of the American Government stopped it came down.

7088. But it came down long before the purchases of the American Government ceased?—It began to come down then.

7089. Just give us the exact figures. The American Government did not repeal that Act until after the Indian mints were closed?—That is true.

7090. What was the price of silver when the mints were closed?—I have not the exact figures here.

7091. I will give them to you. In 1886–87 the price was $45\frac{3}{8}$; in 1887–88, $44\frac{5}{8}$; in 1888–89, $42\frac{7}{8}$; in 1889–90, $42\frac{11}{16}$; in 1890–91, $47\frac{11}{16}$; in 1891–92, $45\frac{1}{16}$; in 1892–93, $39\frac{13}{16}$; in 1893–94, $35\frac{5}{16}$; in 1894–95, $28\frac{15}{16}$; in 1895–96, $29\frac{7}{8}$; in 1896–97, $30\frac{3}{4}$; in 1897–98, $27\frac{9}{16}$?—It went even higher, temporarily, than those figures.

7092. That is the average for the year. Do you think that the settlement of the Japan currency, the value of the yen being practically fixed equivalent to the value of the rupee at 11*d.*, would have any effect on the exchange value of the rupee?—I do not think it would have any very great effect.

7093. Do you think it would be no disaster to India for the exchange value of the rupee to go down to its bullion price?—Certainly not. I think it would be a great advantage to India.

7094. Assume that it went even considerably lower than now?—Yes. I do not fix any figure at all.

7095. Have you any opinion of your own as to the effect of having too much currency in a country?—I see a good deal is said about the redundancy of currency. It appears to me that that is a mis-use of terms. There is no such term as "redundancy" fairly applicable to the standard of value. It may be applicable to rupees under the present system, but there is no such thing as redundancy of money; the more money you can have the better.

7096. If it be token money?—If it be token money, of course that is a different thing.

7097. What is your opinion as to the effect of a continued fall of exchange on, say, first of all, agriculture?—The effect would be to make the price of agricultural produce rise as expressed in rupees.

7098. What would be the effect on wages?—The effect would be to make wages rise.

7099. And all the other products of India—tea, jute, and indigo?—It would make the rupee price rise, undoubtedly.

7100. (*Sir F. Mowatt.*) The price as expressed in rupees?—The price as expressed in rupees.

7101. (*Chairman.*) Have wages and the cost of the necessities of life been rising or falling since the mints were closed?—They have been rising.

7102. Supposing the result of the opening of the mints should be to reduce the rupee, say, to 10*d.*, how do you propose that the Indian Government should meet its obligations?—By additional taxation. I

think a good deal of the loss would be automatically recovered, and the deficiency could be supplied by increasing the taxation in proportion. It involves no hardship to anybody. The railway rates might be increased. It is perfectly fair if the standard of value decreases, to increase the amount charged for carriage on the railways.

7103. Have you considered that at all from the political point of view?—I do not believe in any danger from the political point of view. India is perfectly contented and happy, if she were only let alone, and the Government did not interfere with her currency; she has had a period of great prosperity, and it will go on.

7104. You, therefore, differ from those experienced Indian officials, from Lieutenant-Governors downwards, who tell us that it would be a very great political danger to attempt any increase of taxation? You do not agree with them?—I do not agree with them; I think the Indian Government is very timid.

7105. Now, perhaps it would be more agreeable to you, and it would be interesting to us, if you would make any general statement you like to make to the Committee upon the whole question?—I did not think it would be right for me to trouble the Committee by making a speech or preparing an essay on the question, but the points I wish specially to give evidence upon are these: I think it was wrong to close the mints. I think it was an injury to Indian interests. I think the Indian interests have been injured since the closing of the mints by the conditions that have followed. I think it would be comparatively easy to open the mints again. I think the proposals of the Indian Government to melt up rupees, and cause additional stringency, are absolutely inadmissible and would do a very great deal of injury to the country.

7106. Have you considered Mr. Lindsay's scheme at all?—I have read it. I do not believe it would succeed.

7107. In fact, if you had a perfectly free hand, as I understand, you would re-open the mints?—Yes.

7108. You would let the exchange value of the rupee follow, automatically, the market price of bullion?—Certainly.

7109. And whatever difficulties that might inflict upon the Indian Government, you think those would be temporary, and would eventually disappear, and that in the meantime any special financial burden could be met by temporary additional tavation?—Exactly.

7110. (*Lord Balfour of Burleigh.*) I think I heard you use the expression that all that the Government had lost would be going into the pockets of the people?—Yes.

7111. Who are the people?—The producers of India.

7112. You think it would all have gone into the pockets of the producers?—There is no doubt that it has done.

7113. Are all the producers, those who are interested in the production, the people of India?—The Indian agricultural producer is about 60 per cent., I think, of the whole number of the people.

7114. Would he have been the only person who would have benefited?—He would have benefited in the first instance, and there would have been a rise of wages also, and everybody would have benefited.

7115. We have been told that wages to the producer did not rise; that the benefit which he got was that he got part of his remuneration paid in food stuffs, which cost the employer more, but which of course remained the same to the producer?—That is one part of his remuneration, but the other part is in wages, and there is no doubt that wages have risen all over India.

7116. You say there is no doubt, but can you give us any instances in which wages have moved upwards with a fall in the value of the rupee?—I have lived in the Province of Bengal. In rural Bengal wages have doubled within the last 20 years, so far as I can make out.

7117. What wages?—I am speaking now of the agricultural labourer—not the owner or cultivator of the soil himself, but the man employed by the owner or cultivator to assist him.

7118. Can you give me any particular case? I do not doubt for a moment that you are under the impression that what you say is absolutely correct, or you would not say it; but the evidence here from almost everybody who has been before us has been so strong that the amount paid in currency to the labourer has not increased that I am rather anxious to have a little more information about it?—It is difficult for any one in my position to make certain about these matters, but I have made a great many inquiries. I have taken an interest in this question, and I am told that the agricultural labourer in Bengal can now get 4 annas a day whereas 20 years ago he could only get 2 annas a day.

7119. Can you refer to any authority who can give us original information about that?—I do not know that I can. A friend of mine, the Maharajah Doorgah Churn Law, gave me his experience, but, of course, he is in India, and he is not available.

7120. Could we not write to him?—The Government of Bengal could find out for you. I might, I think, bring forward instances of tea planters. A letter was written, I think, under Sir David Barbour's régime to the tea planters of Darjeeling, which made out that all that the tea planter was gaining by the fall in exchange the labourer was losing.

7121. Do you agree with that?—I do not agree, because the tea planter is bound under contract to supply his coolies with rice at 3 rupees per maund. The whole expenditure of the coolie is on his food, and if the rice is given to the coolie at a fixed price it does not matter to him what is the purchasing power of the rupee.

7122. (*Sir D. Barbour.*) I think the letter to which you refer does not go quite so far as that. According to my recollection, it said that if there was a depreciation of the currency, although the tea planter got a higher price and might make a special profit, some proportion of that profit probably was made out of the labourer temporarily or for the time being?—But it was not mentioned in the correspondence that the tea planter is bound under contract to supply his coolies with rice at a fixed price.

7123. (*Lord Balfour of Burleigh.*) You would include the tea planter under your general description of the Indian producer?—Certainly.

7124. Would you also include the shareholder in this country as among the people of India?—Yes, I think I should. I think a man who invests money in India ought to get something out of it. In my view the crying want of India is the development of its industries. The population of India is increasing at at the rate of 3,000,000 a year, and we are obliged to do all in our power, I take it, to find new industries for them—to develop agriculture, to increase the means of communication, and provide manufacturing industries. Those are the things that it is absolutely essential for us to do in order to meet the wants of the growing population. That is only to be done with plenty of loanable capital.

7125. And that, I suppose, is only to be got permanently when confidence is thoroughly established?—I think so.

7126. And the establishment of confidence would get you loanable capital, I suppose, at whatever figure the rupee was standing?—I think the establishment of confidence would bring that about. If you could absolutely establish the rupee at 1*s.* 4*d.* and the people were confident that that rate would be maintained, I have no doubt that loanable capital would go out, but at the present time there is not that confidence.

7127. You think that if it were to be announced that the Indian Government was to change its policy and ultimately reopen the mints, arrangements could

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be made by which the transition could be brought about gradually?—I do.

7128. Would you outline those arrangements to us?—I think there are three plans. The first would be when the rupee in the slack season comes down, we will say, to 1*s.* 3*d.*, that the Government should then announce that instead of giving 15 rupees to the sovereign they would give 16 rupees. Another would be that the Government should undertake and announce its intention of coining, say, 5 crores of rupees a year for a certain number of years. A profit would be made upon that which would not be a real profit, because it would be a form of taxation; but Government might undertake that any profit made should be employed in paying off the gold obligations.

7129. You say that they should announce that they would coin 5 crores of rupees for a certain number of years. Is it your intention that they should buy that silver in the open market or coin it for anybody who offers it?—I should buy it in the open market, and I should draw Council bills against it, and the profit that is made upon it would pay off gold indebtedness. That is the second plan; but the plan that I prefer to any of these is one suggested to me by a high financial authority, whom, I believe, you have examined, Mr. Henry Raphael. He told me that if it were desired to open the mints, the best way would be the plan that I am now going to sketch out. He says you may announce that the mints are open to silver to be coined as it is paid in in order of delivery; that you will coin 2 lakhs of rupee a day, and that you will pay for it in Treasury drafts at 10 days, that is to say, that the first 2 lakhs of silver presented at the mint will be paid for by drafts at 10 days' sight; the second 2 lakhs will be paid for by drafts at 11 days' sight; the third 2 lakhs by drafts at 12 days' sight, and so on. In that case a large amount of silver no doubt will be tendered at once in India, and probably enough to keep the mints going for 18 months. It would not be possible for people to send out silver from England to meet that demand without incurring the prospect of considerable loss; that is to say, they would only be paid for it 18 months later, and they would have to discount the Treasury drafts. Now, in discounting the Treasury drafts the discounter would naturally take into account the probable fall in the rupee value at the time he is paid his money, and he would, therefore, charge a higher rate of discount. I should think not less than 12 or 14 per cent. per annum. The consequence is it would not pay to send out silver from England to India for coinage, without allowing a considerable discount, and the exchange would not fall very rapidly. I do not think the exchange would fall very rapidly under that arrangement.

7130. But surely that would cause, to begin with, a considerable period of great uncertainty, would it not?—I do not think so. A large amount of silver would be tendered for coinage in India; for instance, looking at it from the point of view of the speculator, I should be rather chary about sending out silver to India for coinage if I had the prospect of not being paid for it for 18 months.

7131. But I understand the position precedent to all this is that the Government are to announce the mints to be opened to a coinage of silver, with the ultimate intention of opening them as freely as they were before 1893?—Yes; but this is a plan by which they might announce it now, and only pay for the silver according to the dates when it was coined.

7132. Under your scheme how long do you think it would take you to get back to the system which prevailed before 1893, of an absolutely open mint for the coinage of any silver?—This is an absolute return to that system, with a modification that as silver will only be paid for at distant dates the fall of exchange will be gradual.

7133. This is an alternative scheme, not to run along with the five crores scheme?—It is an alternative scheme entirely, and one I prefer to the others.

7134. Under that, of course, it follows that in time, I will not ask you to define in what time, the price of the rupee must go to the price of bar silver?—Or the price of bar silver must go the price of the rupee. They must meet, that is what I mean.

7135. Now I understand you to say that you think it would be fair to suppose that they would meet half way?—Yes.

7136. That is about 12*d.*?—I would not like to commit myself to that. I think that is a reasonable expectation that they would meet about half way, but there are many factors coming in. I would not like to say definitely.

7137. Tell me what are the factors that you think people would have to take into account if they were going to forecast the result of your scheme?—There is the possibility that the silver mines might be re-opened. I confess I have not information on the subject. I do not know the position of the American mines now. I think most of them are shut down. I do not know what rise in silver would induce the owners to open them again.

7138. However, that would be one of the factors to take into account?—Yes.

7139. Do you know what the world's production of silver is at the present time?—I only know the figures which you have before you more or less. I have seen the published statements of the production of silver; I have no knowledge of my own. I would rather you took the figures from the American Government.

7140. Then you recommend this scheme without any knowledge about the world's production of silver?—Without any special knowledge beyond what I see in the papers.

7141. What is the knowledge upon which you make your recommendation?—I think it is supposed that the production of silver at present is something about 25 millions a year.

7142. How much do you think India would take of that naturally?—I think that probably if the mints had been opened during the last five years she would have coined certainly not less than 30 crores of rupees.

7143. In the five years?—In the five years.

7144. That would be about, at the very most, a quarter of the world's produce?—Yes, I think she would have taken more, but that is what I said she would have coined.

7145. Why should the closing of the mints have prevented India taking what was not going for coinage?—It has not prevented it, they have taken a lot of silver.

7146. You think they would have taken more in addition to the six crores that they would have coined?—They probably might have coined eight crores, but of that eight crores, two crores probably would have been melted down as it is done in ordinary years, when the mints are open.

7147. Let us assume that India would have taken eight crores, that is a third of the world's produce?—Yes.

7148. I understood you to say a moment ago that, except the demand for India, there was no substantial demand for silver throughout the world?—No demand for coinage.

7149. This production of silver that you estimate at something like 30 millions has been produced at what average price?—I would rather not attempt to give evidence on a subject of which I only know at secondhand or from reading.

7150. Do you know what it costs to produce silver from such a mine as the Broken Hill, for example?—The shares in the Broken Hill mine have gone down very much. That is a pretty fair proof that they are not making much profit.

7151. On account of the low price of silver?—Yes, they depend very much on what they get for the lead. Silver is a by-product of lead.

7152. That is a very important consideration, which I think is very often left out of sight. Now, would you be surprised to hear that people put the cost of

producing silver as low as 1*s.* an ounce in such a mine as the Broken Hill?—I should not be surprised to hear that in certain highly favoured mines, it might be as low as 1*s.* an ounce, but certainly not in the great bulk of the mines of the world.

7153. I need hardly ask you, but 1*s.* an ounce would mean a 4½*d.* rupee?—Yes.

7154. Would you commit yourself to a statement that, under no circumstances, with free coinage of silver in India, the rupee could go down as low as 4½*d.*?—There is not the slightest probability of it. These highly-favoured mines are in the position of a newly found alluvial deposit of gold, where you may pick up gold for nothing; the cost of production in that case is nothing, but it does not mean to say that they are going to get gold all over the world for nothing.

7155. Have you considered what in your opinion would be the lowest point to which the rupee could go down under the system which you advocate?—I think anyone who committed himself to any prophecy upon that would be very bold. Personally, I do not think the rupee would go to 1*s.*, but at the same time it might; it depends greatly on the discoveries of science, the discovery of the method of treating refractory ores, and all kinds of other factors. The rupee would never have gone as low as it has done but for the closing of the mints.

7156. How do you make that out?—Because the closing of the mints caused a great fall in the value of silver, and while people did not believe in the Government being able to hold up the price, there is no doubt that the rupee fell very much on a level with the price of silver in the first instance.

7157. Why was that due to the closing of the mints?—Because the closing of the mints caused the price of bar silver to go down.

7158. But the rupee only fell very slightly after the closing of the mints?—When the mints were closed the rupee went up to the neighbourhood of 1*s.* 4*d.*; it gradually fell from that to 1*s.* 0½*d.*

7159. You attribute that to the closing of the mints?—I think the closing of the mints certainly made the rupee go lower than it otherwise would have done.

7160. I should like you to state the ground on which you say that?—There is no doubt that the closing of the mints made silver go down.

7161. I am not disputing your view, but I want to elicit the ground of your opinion?—There is no doubt also that the natives of India have always looked upon silver and the rupee as practically the same thing while the mints were open, and when they saw silver go down the rupee naturally went down from sympathy.

7162. At the most that could only be a temporary result?—Well, I think it was temporary, but it operated certainly for two or three years.

7163. Was it not largely owing to the closing of the mints that the rupee has maintained the level to which it has kept in the last five years?—Within the last five years?

7164. Three years I think you may say?—I think the effect of the closing of the mints was to make exchange go lower than it otherwise would have done for two years, and to go higher than it otherwise would have done for the remaining two years.

7165. Do you desire to express to us your opinion upon any part of Mr. Lindsay's scheme which you think especially weak?—The weak point of it, I think, is the probability that if a gold fund were established in England, and the only way in which you can establish a ratio between gold and silver is to be prepared to give gold for silver on certain terms, that is the only way it could be done; if we were prepared to do that by means of raising a fund of gold in England, I am of opinion that that fund might be swept away in a few months by the Indian hoarders and you would have to come forward and borrow again; and I do not think Lombard Street would be disposed to give you money. They do not like their reserves of gold trenched upon. I believe if you had 20 millions here it would be swept away in no very long time by the Indian hoarders.

7166. Will you just amplify that a little for us, because Mr. Lindsay, rightly or wrongly, puts it that movements of that kind would counterbalance each other?—I do not think Mr. Lindsay sufficiently takes into account the desire of the natives to hoard gold. The natives look upon everything from the point of view of the rupee price, and if they thought gold was cheap compared with the rupee they would buy all the gold they could get.

7167. But, of course, whatever figure is fixed it should be a figure which should not raise in the Indian mind the presumption that gold was cheap?—Exactly.

7168. Then, if you will excuse me for saying so, that is a criticism not upon the scheme as a whole, but upon a particular figure which Mr. Lindsay has fixed upon?—I think that is one way of criticising it. The figure he has fixed upon no doubt increases the probability of the gold being swept away. If he fixed 1*s.*, instead of 1*s.* 4*d.*, there would not be the same probability, because then the natives of India would think that gold was dear.

7169. Is there any other criticism which you wish to make of Mr. Lindsay's scheme?—No, that is the only one. I think it would fail on account of the gold being taken away.

7170. (*Sir F. Mowatt.*) You said, I think, that there was no falling off in the purchasing power of the rupee in consequence of the fall in its quotation outside?—I do not say so. I think the rupee has a less purchasing power than it had. There has been some rise in prices and in wages.

7171. I understand, at the outset of your evidence, you said it had not affected the purchasing power of the rupee in India?—I am afraid I was misunderstood.

7172. You said, I think, that silver followed the price of the rupee from sympathy in India; that when the rupee fell, silver fell with it in sympathy?—I said that when silver fell, which was a fall caused by the closing of the mints, the rupee fell with it in sympathy.

7173. But silver has since fallen further, and the rupee has risen?—That is because of the stringency of money.

7174. With regard to the drawing away of any reserve fund, you say that the natives hoard, or desire to hoard, gold so greatly that the fund will very rapidly tend to disappear?—If they thought the gold was cheap, and they would think the gold was cheap because they know very well that the rupee ought only to be worth 11*d.*, and that it is worth 1*s.* 3½*d.*

7175. How would they get hold of this reserve fund; they would have to buy the gold in some way. How would they pay for it?—There are speculators in Bombay who do nothing but trade in lakhs of gold every day.

7176. They would purchase the gold with rupees, and those rupees would be withdrawn from the currency?—They would be withdrawn from hoards, probably; they would turn their hoards of silver into hoards of gold.

7177. Do you think there is enough silver in hoard to enable them to sweep away at once an enormous reserve fund?—I should think so. It is difficult to say, but I should think there are between 100 and 200 millions of tens of rupees hoarded, probably.

7178. You do not think that the rupee being withdrawn for the purchase of gold would lessen the number of rupees in circulation, and so increase the value of the rupee?—Not necessarily; I do not think it would.

7179. It would all come out of hoards?—Yes.

7180. (*Sir J. Muir.*) I think you said that Government, in your opinion, might reduce the period of the settlement, say, to 10 years?—I did.

7181. If that were done at each settlement of course the fair value might be fixed?—Yes.

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7182. So that that might increase considerably the income of the Government?—Undoubtedly, if the rupee falls.

7183. You have been a long while in India; what would you think, taking into account everything, if the mints had not been closed, might have been the rate of insterest?—There were large municipal loans and port trust loans floated at 4 per cent. I think there is no doubt that money would have been obtainable at 4 per cent. if the mints had been open.

7184. That is in the slack season?—Really, when money was so plentiful as we had it two or three years ago, it did not seem to get much dearer, even in the busy season.

7185. (*Sir D. Barbour.*) Are you speaking now of the rate of interest on loans for a long period or of the rate of discount?—I am speaking of the rate at which permanent loans could be floated.

7186. (*Sir J. Muir.*) A merchant could discount bills at the Bank of Bengal at 4 per cent. on proper security?—Yes.

7187. You have mentioned to us that the rate of interest has been very high—as much as 12 per cent.?—Yes.

7188. What would it be in the other Presidency towns?—Even higher in Bombay—13 per cent.

7189. And in Madras?—I think Madras only got to 12 per cent.

7190. Did I understand you to say that you fear, unless some change takes place, that next busy season we may see it even worse?—I think that is a very natural assumption.

7191. I have heard 15 per cent. named in other quarters as a possibility?—Yes, I think it is a possibility.

7192. (*Sir D. Barbour.*) Do you draw any distinction between currency and capital, or do you think they are identical?—They are not identical.

7193. You think there is a distinction?—I think there is a distinction.

7194. If you were to indefinitely increase currency, you would not thereby indefinitely increase capital?—No.

7195. Now why do you think it is impossible to have a fixed rate of exchange in India; I did not hear the early part of your evidence?—Because I think that the only way to fix a rate of exchange is to be prepared to give gold for silver on certain terms; to do that, you would have to have a large reserve of gold, and however large it is, I think there is the greater danger that it would all be swept away, and you would have to borrow again, and the cost would be enormous.

7196. Because the hoarders have such a desire for gold?—They have a great desire for gold if they think it cheap, and they will think it cheap when they see the rupee is kept at an unnatural point.

7197. Then why did they not buy great quantities of gold the other day when the exchange was 1*s.* 4*d.*?—I do not know; perhaps they did not think gold cheap at the time.

7198. But if they knew anything about the currency scheme they must have known that gold had got to its cheapest point when exchange was at 1*s.* 4*d.* Why did not these people buy all the gold they wanted then?—They did buy a good deal.

7199. But not more than in other years and at other times?—Well, I am not able to give you the reasons of other people for what they do, but I feel perfectly satisfied that if the natives thought gold was cheap, they have the power, and they would have the will, to sweep it away.

7200. You are in favour of the opening of the mints to silver. I was not here when you mentioned how you would find the necessary revenue for that purpose. Would you repeat that portion of your evidence?—A certain portion of the revenue would automatically increase.

7201. Such as ——?—The opium revenue for instance—the land revenue.

7202. The land revenue would increase slowly and not automatically?—Practically automatically. With the reduced purchasing power of the rupee the producer would get more rupees for his produce, the Government in valuing his land would get a higher rate in rupees and would draw a higher revenue from it.

7203. It would not be automatic; the Government would have to take the important step of raising the revenue?—That is true. It would be automatic, but not all at once.

7204. It would come gradually?—It would come gradually.

7205. In the case of the opium revenue, that is the opium which is sold in Calcutta—the increase of revenue would be automatic, because you would sell opium for a greater number of rupees?—Yes.

7206. In the case of the land revenue the Government would have to go through the process of raising the revenue, but, as you say, the Government would have good ground for doing so?—Yes.

7207. Anything else?—The railways belong to the Government; the canals belong to the Government. The revenue of those would automatically be increased with the decline in the purchasing power of the metal.

7208. Do you mean that there would be more irrigation and more railway freight?—Undoubtedly, and the Government, if the rupee had a lower purchasing power, would be perfectly justified in increasing the rates.

7209. Those are three sources of increase; is there anything else? I want to know how you would find the whole of the revenue necessary to meet the additional expenditure?—I say you would be perfectly justified in increasing the salt duty. That is a matter that is quite misunderstood in England. The salt duty is 4*d.* per head of the population. It is in the nature of a poll tax, and it is the only taxation that the poor native pays, and he does not feel it. After many years experience in India, I have never known a native who objected to the salt tax; they will object to everything else but the salt tax.

7210. But all that, at any rate in the first instance, would not give you anything like the amount of the total additional expenditure?—Even assuming that you were to meet with some temporary loss, I contend that your land revenue ultimately would be sufficient to pay off the whole of your indebtedness, and that would increase automatically according to the depreciation in the purchasing power of the rupee. While that adjustment was going on you might have some loss, but that would be nothing compared with the loss you have got to face the other way.

7211. Would you increase the import duties?—I do not like duties, but if it were absolutely necessary, that is one way of doing it.

7212. That is not an unpopular form of taxation in India?—No.

7213. (*Sir J. Muir.*) And export duties?—I have a great objection to export duties. I would rather see revenue raised in almost any other form. Export duties on raw produce I think at this time of day are not a thing that any enlightened Government would propose.

7214. (*Sir D. Barbour.*) As to the raising of the railway rates, and the irrigation rates, if you had to do it under the circumstances that you explained, it might be justifiable, but it is better that they should not be raised?—Undoubtedly.

7215. It would be better to avoid it if possible?—I quite agree.

7216. And it would be better not to raise the salt duty if you could avoid it?—If you show such excessive deference to the opinion of people in England who really do not understand the matter.

7217. Is it deference to their opinion, or considerations for the welfare of the people?—There is a great deal of misapprehension about the salt duty. The poor Indian buys his food and his little stores at the village shop twice a week. That is to say he makes a hundred purchases in a year. The dealer generally gives him a pinch of salt for nothing along with the

little stores that he buys. At any rate if he pays for his salt, he pays 4*d.*, and that is divided by 100. It cannot be represented by the smallest coin in the world. A few cowries might pay for the proportion of salt that he buys. It is 4*d.* a head per annum, and no more. It comes to nothing.

7218. Do you think the whole population of India buy their food in that way twice a week?—The poor—the only people for whom you can have any consideration in talking of a duty of 4*d.* a head

7219. Do you think the agriculturists do that, or do they consume the food that they grow themselves?—The agriculturist is in a different position. He is profiting all the time and he can well afford it.

7220. But you said that the population of India bought their food twice a week?—I was referring there to the poor population of India, the only people for whom you can have any consideration in discussing the salt duty.

7221. But many agriculturists are poor?—There may be such, and if they are poor they will buy salt just the same as the other people.

7222. And therefore they pay the higher price?—That is probably so.

7223. Now do you think wages have doubled in Bengal, because it is quite contrary to the evidence we have had?—I say that the wages of agricultural labour in Lower and Eastern Bengal have doubled.

7224. I do not know Eastern Bengal, but do you think that wages generally in India have doubled?—I do not, I think in the prosperous provinces they have, but not in some of the congested districts.

7225. A friend of mine tells me that he paid the men who looks after his horses 3 rupees 8 annas per month at a place where he was magistrate, and there had been a railway there for ten years at least. Do you think that shows any sign of a rise?—I have never got anybody to serve me at 3 rupees 8 annas a month.

7226. Neither have I, but, if that statement be correct, that does not show any signs of a rise in that district?—It must have been in a congested district.

7227. Certainly there is a large population in that district and wages are low?—There are exceptional districts in India as in Ireland, where people want to live on the land where it can hardly support them, and they will not go away. Undoubtedly there are those exceptional places.

7228. Have you examined the Government statistics of wages?—Not recently.

7229. They do not show a 50 per cent. rise all round?—Probably not, but I do not think the Government statistics are always right.

7230. You said if the mints had been open for the last five years, you think India would have coined 30 crores of rupees. Do you mean 30 crores in all?—I corrected myself by saying that probably, instead of coining six crores annually she would have coined eight crores, but two crores might be melted up.

7231. Do you know that just before the mints were closed, India was taking an average of about 12 crores a year?—Yes.

7232. Most of which was coined?—Yes.

7233. But if silver had fallen, would she not have taken very considerably more?—If silver had fallen to the present point probably, but I do not think silver would have gone so low. I was trying to put a moderate figure, but I said that I thought she would add to her currency at six crores a year.

7234. India was coining much more than six crores a year before the mints were closed?—Part of it was melted up.

7235. Now if the Americans had ceased purchasing, do you not think that India would have had to coin much more than 12 crores a year?—It depends on the price of silver.

7236. When the Americans stopped purchasing, the price of silver must have fallen?—But not so low.

7237. I do not say that, but it would have fallen lower than at the time the mints were closed. Do you not think she must have taken more than 12 crores a year if the mints had not been closed in 1893?—She would have taken a great deal. I am not prepared to place any limit.

7238. She must have taken all that was offered to her at the price of the day as long as the mints were open?—Yes.

7239. You said that the rupee fell in sympathy with silver when the mints were closed. How does that sympathy act that makes the one thing fall with the other?—Well, there was a very strong conviction amongst the natives that the mints would have to be opened again. That, I think, accounts in a great measure for the large importation of bar silver; the natives thought, "The Government cannot "keep the mints closed, they will have to open "then again and we will have the silver ready."

7240. That large importation only went on for some months; that could not have been the cause that kept the rupee down after the excessive importation of silver was over?—There is no doubt that for a time there was sufficient to go on with, and there was no scarcity for some time after the mints were closed. It has only begun during the last two years.

7241. But why should the rupee have fallen in sympathy with silver? How does the question of sympathy come in?—I think people know the intrinsic value of the rupee is not more than 1*s.* ½*d.*, and why should they give more money for it?

7242. It has been said that there is a connexion between the exchange value of the rupee and the rate of discount and the rate of exchange. Do you think the two things go together? I daresay you know that many economists say that the rate of discount or interest has nothing to do with the appreciation or depreciation of the standard?—I do not think it has. It depends on the amount of loanable capital available.

7243. What do you think are the causes of the high rate of discount and the high rate of interest in India at the present time?—The fact that capitalists have all sent their money away. They thought they were getting good terms for remitting it home.

7244. That is to say they were afraid that this rate of exchange could not be maintained?—They were convinced that it could not be maintained. The point is this: they had nothing to lose by sending their money home at 1*s.* 4*d.*, because it cannot go higher.

7245. They had the high rate of interest to lose which they could get in India?—But you have the rate fixed. You say the rupee cannot go beyond 1*s.* 4*d.* on account of the action of the Government. Then a man naturally says it is "heads I win, tails you lose." I get my 1*s.* 4*d.* I cannot get more, and if things go the wrong way I may lose 30 per cent. of my capital.

7246. Do you think there is any other cause of the remittance of capital from India than the desire to take advantage of the high rate of exchange?—I think that is the chief cause.

7247. And, if there was confidence, that cause would not operate?—Certainly not, if there was absolute confidence.

7248. On the other hand, if this high rate of discount went on every year some persons might be found who would run the risk of keeping their money there for the sake of the high rate of interest?—Not unless the rate was so high as practically to extinguish all industries in India.

7249. It would depend on the fear of the fall of exchange. If they had not much fear of the fall of exchange they might be content to risk it for the sake of the high rate of interest?—It would depend on how high the rate was, and what fear they had of a fall of exchange.

7250. (*Sir C. Crosthwaite.*) Have you considered what amount of extra taxation would be necessary if the rupee were allowed to fall, say, to 1*s.*?—I have not considered it exactly, but I think, as I have

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explained to Sir D. Barbour, a good deal of it would be automatically recovered.

7251. But you cannot tell me about what amount you think would be necessary?—I think it is impossible for any one to say exactly. I think the amount has been terribly exaggerated by some people.

(*Chairman.*) You may take it at from 12 to 14 crores.

7252. (*Sir D. Barbour.*) From 1*s.* 4*d.* to 1*s.* would mean that?—I would not be prepared to admit even that, because what the Government calls the loss by exchange is not all loss by exchange.

7253. This is the additional number of rupees that would be required, putting aside the question of loss altogether. If at 1*s.* 4*d.* so many rupees are required to meet the Government liabilities, then at 1*s.* it will require, say, 12 crores more?—I have no doubt you have made the calculation correctly.

7254. (*Chairman.*) The rise in exchange during the last year has enabled the Government of India and the Secretary of State to avoid imposing additional taxation in order to meet the greater portion of the heavy expenditure on the war and the famine?—But it has in effect been itself additional taxation.

7255. That is another matter. I am only clearing up Sir Charles Crosthwaite's point. If the rupee goes down to 1*s.*, as Sir D. Barbour says, there will have to be a certain additional number of rupees to the extent of 12 crores found by taxation?—I have no doubt that is correctly calculated.

7256. (*Sir C. Crosthwaite.*) Apart from that, you think that a large portion of it at any rate could be got by increasing the land revenue?—I think so.

7257. Can you calculate the amount of the land revenue?—I think it is about 26 crores of rupees in round numbers.

7258. Of that part is permanently settled?—A small part of the revenue—a considerable part of the ground.

7259. The revenue permanently settled is about six crores, I think?—Less than that, I think.

7260. In the North-West Province and Madras, too?—Yes, I was thinking only of Bengal.

7261. That revenue could not be raised, could it?—It could not be raised in that form.

7262. You do not recommend that there should be a breach of the permanent settlement?—Not at all. The position of a Zemindar under a permanent settlement is the position practically of owner of the soil subject to a rent charge. We cannot increase his rent charge, but there is no reason why that Zemindar should not be liable to pay taxation like everybody else for the cost of the Government. As a matter of fact he is—for what reason nobody knows—exempted from paying income tax. It is an extraordinary anomaly that the richest class in India, the Zemindars, have to pay no income tax; it seems to me indefensible. You cannot break his permanent settlement, but the fact that he is under permanent settlement does not change his status as a member of the community who should pay proper taxation to meet the charges of the State.

7263. Is it not the case that a good many local rates have been put on of late?—They have been subjected to what they call the public works cess, I think, but that public works cess is for money which is to be spent for improving the conditions of the soil, the roads, and so forth.

7264. You said that the land revenue was the share of the produce that the Government took?—Yes.

7265. Can you tell me what share of the produce is taken?—I believe it varies in different parts of the country, and I am sure you are able to say much more accurately than I can. I think it is something like 40 per cent. in the North-West Provinces.

7266. It is a share of the produce?—It is a share of the produce.

7267. In the North-West Provinces it is not a share of the produce, it is a share of the rent. The settlement is not made with the actual cultivator or producer, it is made with the landlord or owner of the soil as a rule?—But the rent depends upon the produce of the soil. Therefore, if it is a settlement on the land, it is practically indirectly a settlement on the produce of the soil.

7268. Indirectly, no doubt, but you are aware that there are rent laws, and that there are a large proportion of tenants who are hereditary?—Yes, there are occupancy rights, and so on.

7269. Now, with regard to agricultural wages, are they paid, as a rule, in kind or in cash?—They are generally paid partly in one and partly in the other, I think, in Bengal, at any rate.

7270. So that part of the rise which you allude to would be in consequence of the increased price of the food grains in which they are paid?—Yes.

7271. (*Sir A. Dent.*) As to wages in Darjeeling, you said that the price of rice had been permanently fixed at three rupees per maund?—It is a part of the contract between the tea planter and the coolie that he gets his rice at a fixed low price.

7272. But that price is not three rupees per maund for ever, is it?—During the continuance of the contract, I believe it is.

7273. In answering the questions put to you by Lord Balfour about your third scheme, I did not understand how long it would take before we got back to the reopening of the mints; would you name any term?—The mints would be open from the moment the scheme started, but the exchange would only fall gradually, because people could not get their silver thrown in and get paid for it without a long interval of time.

7274. And that might go over several years?—I think it might probably go over 18 months or two years.

7275. When you say a very large amount of silver would be poured into the mints at once, and that that would raise the price of silver for the moment, there would be a very unpleasant reaction later on, would there not?—I do not think so.

7276. You think a principal increase of revenue would be on opium?—Yes.

7277. Is not that a very uncertain revenue now?—No doubt.

7278. The Chinese are going in largely for cultivating it?—Very true.

7279. And is not the revenue from opium getting less and less every year, so that it will eventually become extinct?—If exchange goes up it may disappear gradually. If exchange goes down it will continue longer probably.

7280. (*Mr. Holland.*) You told us that in your opinion if the mints were reopened exchange would fall, but that India at large would gain by the fall of exchange?—Yes.

7281. We have had it in evidence from another witness that most of the advantage of a fall of exchange goes into the pockets of the middleman. Do you agree with that opinion?—No.

7282. You think the Government would not be strong enough to carry through their own proposals; do you agree that the task that they have set themselves is difficult in proportion as the rate of exchange is high?—Certainly.

7283. And that although it might be impossible at 1*s.* 4*d.* it might not be impossible at 1*s.* 3*d.*; and if it were impossible at 1*s.* 3*d.*, it might not be impossible at 1*s.* 2*d.*?—The difficulty increases in proportion to the height that you keep it up to. I think it would be impossible at 1*s.* 3*d.* for that matter, although not so impossible, you may say, as at 1*s.* 4*d.*

7284. Do you think it would be impossible at 1*s.* 2*d.*?—I do not care to commit myself to an exact figure.

7285. You are an ex-president of the Bengal Chamber of Commerce?—Yes.

7286. We have had it in evidence from another ex-president of the Bengal Chamber of Commerce that the closing of the mints has not had a serious effect on trade. Do you agree with that?—No.

7287. You think the effect has been serious?—Very serious.

7288. And it has been stated by another witness that, notwithstanding the stringency in the money market, trade has been carried on without any hindrance. I suppose that also you would disagree with?—I should differ from that, certainly.

7289. Do you agree with the Bombay Chamber of Commerce, that the present tightness of money is mainly attributable to the contraction of the currency consequent on the closing of the mints?—Yes.

7290. And do you think that the proposals of the Government of India would have the effect of perpetuating that state of things?—Intensifying and perpetuating it.

7291. (*Mr. Campbell.*) With regard to the fall in silver since the closing of the mints, do you attribute the whole of that fall to the closing of the mints?—A great part of it. I would not say the whole of it.

7292. Are there not at least two other very important factors since the closing of the mints which would affect the fall of the price of silver; first, there was the repeal of the Sherman Act?—Yes.

7293. And secondly the abandonment of a silver standard by Japan?—Yes.

7294. I suppose you would admit that both these factors have a very important effect on the price of silver?—Certainly, but the repeal of the Sherman Act had cast its shadow before. It was already anticipated at the time.

7295. But if the mints had not been closed is it possible that there might not have been some modification instead of a total repeal?—It is possible, yes.

7296. So that the situation is not exactly the same to-day as it was at the time the mints were closed?—No.

7297. There are those two other elements in the question now. Do you think it possible that there might not be other disturbing causes of the same kind in the future?—All the influences that would make silver go up seem to have disappeared with the single exception of the possibility of the re-opening of the Indian Mints.

7298. But if some other silver standard country were to abandon the silver standard and try to get on to gold, that would give another blow to silver would it not?—I do not know what silver standard country is left now.

7299. There is the Straits Settlements, there is China, there is Mexico, there is Spain?—Take Japan for instance. It seems most probable that their scheme will fail and that they will have to return to a silver standard. Austria has got a lot of gold with the idea of establishing a gold standard, but she has not yet ventured to do so. Italy borrowed a large sum of money in order to return to a gold standard, and that has been obliged to be abandoned. It seems that no poor country can maintain its gold standard. It must be a rich country like France or England or America, or a country that keeps heavy tariffs, that is enabled to retain its gold. If you were to make India a protectionist country I believe she would be able to retain her gold, but not otherwise.

7300. Not if she could command the gold over and above the ordinary indebtedness?—I believe it would slip away from her.

7301. Why?—Because I think it would be hoarded, as I explained before.

7302. Do you not think that the mere announcement of the reopening of the mints, even with the qualification that you alluded to, would have the effect of giving a very great shock to trade?—I think it must give a certain amount of shock to trade, but I am afraid if you make a false step, and fall over a precipice, you cannot expect to find yourselves on your legs again without some difficulty and trouble. There is no doubt the closing of the mints is a step that is very difficult to retrace, but there are means of doing it, and I think the only thing that will restore prosperity is the reopening of the mints.

7303. Now, with regard to the suggestion that you make as to giving deferred warrants for the silver sent into the mints. You say you would begin to coin at the rate of 2 lakhs a day?—Yes.

7304. If silver was sent from England it would begin to get in in about four weeks?—Yes.

7305. And would be cashed in a little more than a month?—No, because it would be preceded by a great deal of silver in India.

7306. You estimate that there is as much silver in India as would postpone the payment for these shipments from England for at least 12 months?—I think so.

7307. That would represent about seven crores of rupees?—Take 300 working days in the year at the mint, at two lakhs a day, it would be six crores.

7308. Six crores of silver, the present price of which is 70 rupees per hundred tolas, would mint into more than nine crores of standard coin, would it not?—Yes, but I would take it that six crores of rupees should be minted.

7309. Two lakhs coined every day?—Two lakhs of coin would be produced at the mint each day. Of course that is merely a suggestion, subject to modification.

7310. That would give an enormous profit to the holder of bar silver in India at the present moment?—Yes.

7311. Silver would cost, say, 70 rupees, and would realise about 106?—A portion of that has, of course, cost more.

7312. And a portion has cost less. The present price is about 70. But do you not think that the pouring out of that six crores in the course of the year, in addition to council bills and other moneys that are let loose in India in the course of the year, would have a very important effect on the money market?—Undoubtedly; and I think an advantageous effect on the money market.

7313. And would it not tend to have an important effect on exchange?—Undoubtedly exchange would go lower, and I think silver would go higher, and the object I would have in view would be to bring silver and exchange together, and then things would go smoothly.

7314. As regards silver going higher, Japan has been mentioned. Are you aware that, so long as there are any yens procurable in Japan, the value of the rupee could not rise much above 11*d.*, because it would pay to export the yen to India, and bring gold out from London to pay for it?—That is to say, so long as the yen are going, but I think the question of the yen is a matter of very small importance, and I believe myself that Japan will have to go back to a silver standard; she will not be able to keep her gold.

7315. You said just now that for coinage purposes India is practically the only taker of silver?—She is the principal taker of silver. Of course there are one or two others.

7316. Then there is the British dollar, which is now coined for use in the Straits?—Yes, and there is the subsidiary coinage of various countries.

7317. And China, although she does not coin it, takes silver very largely?—Yes.

7318. Now, going to the Government's proposals, you say you see no sign at present of redundant currency in India?—Certainly not.

7319. On the contrary, the currency, you believe, is contracted?—Yes.

7320. You know the Government say that they only consider currency redundant at the rate of 1*s.* 4*d.*?—Yes.

7321. And then propose to remove that redundancy by melting down a certain number of crores of rupees?—Yes.

7322. Do you consider it a right thing in the interests of Indian trade for the Government to adopt an arbitrary rate of exchange, and proceed to force that rate upon the market by melting down currency?

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—I entirely disapprove of it. I disapprove of all interference by Government with the currency.

7323. I think you said that any attempt to enforce too high a rate of exchange would have a prejudicial effect on trade?—Yes.

7324. And would curtail the trade balances in India's favour required to adjust her foreign indebtedness?—Yes. As far as I know the balance of trade has already diminished, and would tend to diminish.

7325. If that trade balance is diminished to any large extent, would that necessitate sterling borrowing again?—Undoubtedly, if the trade balance disappeared, the Secretary of State would be unable to sell his council bills, and would have to borrow in London.

7326. And of course that would add to the difficulty in the future?—Yes.

7327. It would increase the annual amount of sterling indebtedness still further?—Yes.

7328. (*Mr. Le Marchant.*) If you were to approach open mints by some such system as you were mentioning—a coinage of so many lakhs a day—what effect do you think that would have on trade? Would not the exporter naturally hold back as long as he could for the lower exchange, and the importer rather press forward?—No, I think not. I think it would give a stimulus to business.

7329. You think a gradual fall of exchange would stimulate it?—A gradual fall in the purchasing power of the standard has always the effect of being an advantage to industry as against capital. When the standard of value falls, industry gains—the money-lender loses. In India, for instance, nearly all the agriculturists are indebted to the money-lenders. By artificially raising the value of the rupee, you unquestionably increase the debt of the agriculturist to the money-lenders. I think it is admitted on all hands that a decreased purchasing power of the standard, such as was caused in England in the forties by gold from California and Australia, gives a stimulus, and that is what we want in India. We want to stimulate it in order to provide for the three millions of population which come every year.

7330. Do you think that would stimulate it in the way of introduction of capital?—I am sure it would.

7331. In spite of the probable lower rate of exchange at which that capital might be eventually brought back?—Yes, I should like to say this on that point. Where a capitalist in India can get, say, 5 per cent. more for his money than he can in England, there is a strong inducement for him to send his money out to India. At present he is afraid of losing a large portion of his capital in getting his money home again. If, on the contrary, the mints were opened and silver was allowed to find its natural value, the capitalist would be able to form an idea for himself of the possible fall of exchange, and he would probably come to the conclusion that the fall of exchange, naturally taking place year by year, would be something like 1 per cent. Now, if he is going to get 5 per cent. more for his money he will not mind losing 1 per cent.; that is assuming that silver is allowed to find its natural level. He would calculate it in this way. He would say there is 800 millions of silver coin in the world (I put that figure as an illustration, merely), we produce eight millions of silver every year more than we require for the present condition of things. The proportion between eight millions, the surplus production, and the 800 millions which is in circulation, is 1 per cent. The capitalist would naturally say we may expect that silver will go down about 1 per cent. per annum while this condition lasts, but that fall of 1 per cent. is not sufficient to prevent money going to India.

7332. You think the subscription of railway capital was easily obtained when the mints were open?—I think so. You see the owner of actual property in India does not either gain or lose by a change in the standard of value. If you have got a jute mill or a tea garden, and the rupee goes down, it means that your jute mill or tea garden is worth so many more rupees than it was before.

7333. And you think that that applies to railways and other productive works?—Undoubtedly it does.

7334. And that as a matter of fact sterling is attracted to silver-using countries?—I think so.

7335. Supposing that wages and taxes were adjusted in the way you were describing (you mentioned that you contemplated that taxes might be gradually raised), do you think in the long run there would be any advantage? Would it not be the case that the taxpayer would be paying in increased taxes the larger amount of rupees that he was getting from higher prices?—When the adjustment takes place I do not think it would affect the position of anybody. The only thing is that in the course of adjustment there is no doubt that capital would be attracted to India.

7336. You think there would be no friction owing to this interference by Government?—I think the interference of Government with the currency is resented far more than any necessary readjustment of taxation. The interference of the Government with the currency is deeply resented as being an absolutely improper exercise of the functions of Government.

7337. Were you not mentioning that the price of wages had shown a tendency to rise?—Yes.

7338. So far as that goes, would there be any indication to the native or to the wage receiver that currency had been interfered with? If he is already getting more, both in wages and prices, would he draw any inference about currency?—I think there is a general feeling on the part of agriculturists in India that they would be doing a great deal better but for the closing of the mints—that profits would be much greater; that is the view of not only the European indigo and tea planter, but the natives all round.

7339. How has high exchange recently borne upon exports; have exports decreased? Take jute and jute manufactures, for instance?—The leading factor, of course, is the season—whether there is rain or something of that kind. I think the internal trade of the country is seriously interfered with, and the internal trade of the country is quite as important a thing to consider as imports and exports. The internal trade has been interfered with very much by the stringency of money.

7340. Have you any figures to prove the interference with the internal trade of the country?—No, I have not provided myself with the figures, because I believed that you had at your disposal figures prepared by others much better able to prepare them than I am.

7341. With regard to the jute exports within the last year, they have not shown any ill effects, have they?—The jute crop last year was by far the largest on record, and no doubt the shipments have been larger than before, but that depends upon a most favourable season. The consumption of jute has also been extending in a marvellous manner. The consumption of jute is about 20 times what it was when I first went out to India. It is an article the use of which is growing marvellously fast.

7342. So far as that goes, would not that show that the recently ruling rates of exchange did not check trade?—But jute is a monopoly; there is practically no other country that produces jute.

7343. So you consider, with regard to other crops as well as jute, there were some circumstances apart from exchange which were of importance?—Undoubtedly there are many factors in the question, and the most important of them is the season.

7344. And capital?—Capital does not so much affect the produce of the soil as it affects industries like tea-planting, indigo-planting, cotton mills, jute mills, and those things.

7345. On the other hand, does not capital bear on the question of the stringency in the money market—discounting bills, and so on?—Very much so.

7346. That bears on exports, does it not, through its relation with the movement of crops?—Yes.

7347. (*Chairman.*) You said that in your judgment the closing of the mint had had an injurious effect on the trade of India?—Yes.

7348. The evidence that we have received, both statistically and otherwise, is directly to the contrary; that neither the internal nor the external trade of India has been injuriously affected by the closing of the mints. Therefore I wish to give you the opportunity, if you wish either now or hereafter to strengthen your opinion?—I have said that it has caused stringency of money; I have said, and I do not think that anyone can dispute it, that stringency of money interferes with all industries, and I am perfectly satisfied that all industries would have been more prosperous, but for the stringency of money. Another reason I have given is with regard to the money-lenders. I say the money-lenders are gaining by this artificial raising of the value of the rupee, and gaining at the expense of the poor who have borrowed from them.

7349. I am content to leave it as you have put it. Then have you any evidence as to the general discontent which you say prevails among the agricultural and other classes in India, with reference to the closing of the mints?—No, except that when I am in my office in Calcutta I hear constant grumblings from all sides about prices falling in consequence of the high exchange.

The witness withdrew.

Mr. Granville Lowther Acworth called and examined.

7350. (*Chairman*). You were formerly chairman of the United Planters' Association of South India?—Yes.

7351. Do you now reside in India or London?—For the moment I am residing in England.

7352. But you will be going back?—I had not intended to go back but I shall now be compelled to go.

7353. How many years' experience have you of India?—21 years next October.

7354. The Planters' Association, I suppose, would represent the planters of tea and coffee?—Yes.

7355. Indigo?—No.

7356. Anything else?—Tea, coffee, and cinchona.

7357. You feel that you are not only competent but authorised to represent that trade?—I am authorised to represent my association.

7358. What in your opinion was the effect of the closure of the mints in 1893 upon the trades that you are specially representing?—Well it stopped extension.

7359. It arrested progress?—Certainly it arrested progress. I know that from my own estates. I am one of the largest raisers of tea-seed in South India. I used to be able to fill my order book a year in advance. At this time last year my order book was completed for 1898. This year I have been trying ever since the beginning of the year to get orders for 1899, and I have not been able to book a single order, not one.

7360. Do you think that that at all arises from any excess of production?—No, I do not.

7361. Then the production of 1897 would be about the same as 1896 and 1895?—No, I am sure it was not.

7362. You mean there has been no extraordinary increase of production?—No, the increase in the production of tea of late years has been gradual, but steady.

7363. Does that apply also to coffee and cinchona?—Coffee and cinchona are on rather a different footing to tea in South India. Cinchona was so largely produced some years ago that it hardly pays now, and long before the closing of the mints there was a great decrease in the exportation of cinchona. Coffee, on the other hand, will only grow in very favourable situations, and I do not suppose that in Southern India you could find a further 2,000 acres suitable for coffee.

7364. That has been a state of things that has existed for some years?—Many years.

7365. You would not connect that with the closing of the mints?—No, though I consider that the coffee planter is hit just as much as the tea planter.

7366. We have heard it stated for many years past that the consumption of coffee in this country is decreasing?—I believe that is so.

7367. That will also have an effect in arresting the progress of the coffee trade?—Hardly, because it increases in other countries.

7368. Have you any other injurious effect excepting the arrest of progress that you can point to?—Yes, your income is considerably curtailed.

7369. But arresting progress is one thing, retrogression is another. Has it diminished production?—When you have a large capital invested in a thing like an estate in India you cannot shift your capital away. It takes you many years to bring an estate into bearing. You have to build large buildings and fill them with expensive machinery. You are compelled to go on. So that for the present there would certainly not be a diminution in production, but I know that expenses are being cut down, and only two mails ago I heard from my agent in Ceylon that in May 150 superintendents were dismissed owing to lack of means to pay their salaries. I will read you the letter if you wish it. It is dated 4th June 1898. Mr. R. W. Cole, my agent, says: "You know, no "doubt, what a terrible panic exists in Ceylon at the "present time owing to bad prices and that cruel "exchange. The coffee smash was nothing to "what the smash impending in the tea trade is "now. The owners of tea properties are panic-"stricken, nearly every place being worked at a loss, "or only just paying its way without any profit. To "men whose capital is locked up in tea, and who are "dependent on their profits therefrom, it means "absolute ruin, as it does also to superintendents and "assistants whom proprietors cannot afford to keep "on. One hundred and fifty were dismissed from "estates in Ceylon in April for no other reason than "that the companies could not afford to retain their "services, and I know of a case of a visiting agent "who after a fortnight's visit to up-country proper-"ties he represented, returned to Colombo at the "expiry of that time after having given a month's "notice to 27 superintendents for the same cause."

7370. Do you think that is attributable in the main to the rise in exchange?—I think, entirely.

7371. Have you any experience of Northern India?—No, none whatever.

7372. Where is the largest quantity of tea grown in India, in the north or in the south?—Do you include Ceylon with South India?

7373. No, I do not?—Then in the north.

7374. You represent the Planters' Association for India; we are to have separate witnesses from Ceylon?—But our interests are so intimately bound up with Ceylon, Ceylon drawing all its labour nearly from us, that it is impossible to separate the two.

7375. So far as India is concerned the larger proportion of tea is grown in the north?—In the north.

7376. I understand that so far as South India is concerned it is a question of tea mainly?—Tea mainly, so far as my evidence is concerned.

7377. Coffee is not really applicable, and you do not represent indigo?—No, it is tea mainly; but at the same time it must not be forgotten that coffee and cinchona are equally affected, and I am supposed to represent those industries.

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7378. Anything that you would like to say about them we shall be pleased to hear, but your evidence would be directed to the tea question mainly?—Yes.

7379. Now, first of all, have the prices of tea fallen?—Do you mean momentarily?

7380. I mean gold prices in London?—Do you mean momentarily or for a series of years?

7381. I mean since the mints were closed?—Yes, I think they have.

7382. I want to know whether prices have been falling or rising?—The mints were closed in 1892–93. The market has fallen about 2¼*d.* per pound since then.

7383. That is the gold price in London?—The gold price in London.

7384. What was your price in London in 1891?—10*d.*

7385. And now what is it?—7*d.*

7386. How would the gold price in London be affected by the closing of the mints?—We have to accept a cheaper price on account of our competition with China.

7387. It is a question of competition?—A question of competition.

7388. If there was no competion it would have no effect whatever?—Yes, it would.

7389. What?—It would have an effect on our purchases of silver. We work on a silver basis in India. We receive gold for our prices, and we have to buy silver, and send it out to India.

7390. I will come to that presently, but I want to proceed step by step. So far as the price of tea in the market in London is concerned, it is, of course, totally irrespective of whether the article comes from India, or from China, or elsewhere. The gold price of tea in London would not be affected by the closing of the mints in India?—No, it would not.

7391. I am not saying that your profits or losses would not be affected, nor am I intending for a moment to imply that your expenses might not increase or decrease, but so far as regards the gold price in London, it is not affected by the closing of the mints?—It is entirely, I should say, a question of supply and demand.

7392. I suppose the price in London represents practically the price in the world generally?—Yes, I should imagine so.

7393. I was going to ask you whether there is any difference in America?—That I could not tell you. If you are going to allow us to bring in the argument of competition with China, then that does come in.

7394. Yes?—There is a difference, because we have to compete with China in America, and we have to accept much lower prices.

7395. You did have to compete with China in England?—We did.

7396. And as tea could be produced more cheaply in India than in China you have beaten them?—We have beaten them. We have produced a better article, and it has hit the taste of the public. The reason is that, in spite of the price, Indian tea is a cheaper article per pound than China tea. You get very nearly double out of a pound of Indian tea, so that it is cheaper to pay 7*d.* for Indian tea than 5*d.* for China tea.

7397. Then the gold price being outside the question altogether, is it to your advantage or disadvantage that the current price which you receive in London should produce more or less rupees in India?—That it should produce more.

7398. Why?—Because we pay our labour in silver.

7399. Do you pay anything else but labour in silver. I suppose whatever machinery you use is exported from England?—Yes. There is nothing more but labour, but that is, I suppose, 90 per cent. of our whole expenditure.

7400. Of your expenditure on production, nine tenths of it would be labour?—Yes.

7401. And, therefore, while you might gain on one-tenth by a fall in exchange you lose on nine-tenths by a rise in exchange?—Yes.

7402. Have your wages been stationary, or have they increased or decreased?—You might almost say that they have been stationary. They have increased very slightly.

7403. Now will you explain to the Committee what you alluded to just now as the bullion competition with China, and the effect upon the tea trade of that—first in our market, and then in the American market?—I can put it to you here in figures. We will say that "A" ships from India 100,000 lbs. of tea, and receives in London 7*d.* per lb.; he remits the proceeds to India at 1*s.* 4*d.* the rupee. He receives for that 43,750 rupees.

7404. In India at 1*s.* 4*d.*?—In India at 1*s.* 4*d.* "B" ships from China 100,000 lbs. of tea at 7*d.* per lb. He remits the proceeds to China at 1*s.* 11⅛*d.* per dollar, which is the present price of exchange on China, for which he receives 30,270 dollars. 30,270 dollars are equivalent to 60,540 rupees. Therefore China has the advantage over India in every 100,000 lbs. of tea of 16,790 rupees; or, to put it in other words, in every pound of tea she receives a bonus of one anna eight pies per lb.

7405. Now, are wages the same in China as they are in India?—That I cannot tell you.

7406. Do you think the cost of production is more or less in China than in India?—I should imagine much less in China; of course I have no real knowledge.

7407. But your opinion would be that it would bo less, and I suppose that would be the opinion ef most people?—Yes, but I would draw your attention to this. China has an advantage of one anna eight pies per lb. He is a very very fortunate planter in India, who makes a profit of 1 anna 8 pies per lb. on his tea.

7408. That being the effect of what we call the bullion competition, will you tell us how it has affected the imports from China and India into America?—I have not the figures for that, but I can get them.

7409. Then will you put them into your evidence when you correct your proof?—If they are to be had in the City I will get them. I may say that, if our exports to America are increasing, they are probably increasing through our own action there. I mean to say, we tea planters, have for many years past taxed ourselves voluntarily, and kept a representative in America to push our produce. We had no field in America before we took that action. I do not suppose there was 100,000 lbs. of Indian tea drunk throughout America, and last year we had increased our exports to 10 million lbs. But it was entirely by our own exertions, because at the first many of the large dealers in America absolutely refused to store our tea in their warehouses.

7410 I suppose your increased sales in America sprang from the same causes as did your successes in competition with China in this country—that you gave a better article?—But we had to give it away at first. When you take our increased exports into America it must be remembered that that is done by our own efforts, and that it is not likely that we shall be able to go on doing it.

7411. Why not? You have an enormous market there in America?—Yes, but we shall soon be making no profit, and cannot afford to tax ourselves.

7412. (*Sir F. Mowatt.*) That does not mean that you are making no profit now?—We are making a bare profit.

7413. You are not continuing to give it away?—No.

7414. (*Chairman.*) Do you pay your wages in money or in kind?—In money.

7415. Altogether?—Altogether.

7416. The mints now being closed, what do you think is the best course to take? Are you in favour of reopening the mints?—Of course I am not a

currency expert, and I do not pretend to know what the effect of reopening the mints would be, but I certainly think it would be for the benefit of the empire to reopen the mints. It should never be forgotton that the Indian Empire is a producing empire, and that it is not merely the Government remittances that have to be considered, but the 250,000,000 labourers behind them.

7417. I think you have already said that "India is "essentially a producing and exporting country, and "it is by her exports that she must live and thrive. "Tea, coffee, cotton, jute, cinchona, wheat, pepper, "hides, and seeds are some of her most important "products, and all these come into competition with "such countries as China, Japan, Brazil, and the "Central States of America, where the standard is "either a silver one, or practically a silver one, as in "the case of Japan and Brazil?"—Yes.

7418. Japan is on a gold system?—Yes, but it is fixed at a very low ratio, and it is a question whether Japan will be able to keep her gold—in fact it was told me in the City the other day that the Japanese have petitioned their Government for a bounty on the exports, owing to the introduction of gold.

7419. Do you think that the decline in the value of the rupee has fallen heavily on the consumers of imported goods?—No, I do not.

7420. Why?—Because almost all imported goods are now produced a great deal more cheaply than they were 20 years ago. They have really been produced in a cheaper ratio than the fall of the rupee has been.

7421. Is that so to-day, in 1897-98?—I think so. I think, if you will turn to the Review of the Trade of India for 1896-97, and look at the range of prices in 1875 and 1892, when the rupee was at its lowest point, you will see that to be so. Take grey shirtings, for instance. Taking the numeral 100 as representing the value of grey shirtings, in March 1875 it was 86; in March 1892 it was 74. Then mule twist, in March 1875, was 92, and in 1892 it was 64. Turkey red twist, in March 1875, was 102, and in March 1892 it was 57. Iron, in March 1875, was 93, and in March 1892 it was 64.

7422. Now assuming that imports are cheaper, would they not be still cheaper if exchange did not apply?—I do not think so. If you will turn to the same table you will find that, for instance, iron in March 1892 was 64, and in July 1897 it was 114.

7423. Per ton?—I conclude it is per ton.

7424. What description of iron?—"Iron—flat, bolt," &c.

7425. There has been a fall in the price of steel rails?—Yes. Copper sheeting was 72 in 1892, and in 1897 it was 93. Then turkey red, in March 1892, was 57, and in July 1897, with a higher exchange, it was 62.

7426. You do not think that the actual amount of wages has varied much?—No, they have a little, but not much.

7427. Has the purchasing power of the rupee varied?—No; not for such goods as our coolies use. It depends entirely on seasons. If there has been a good season, such articles as they consume are cheap. If it is a bad season they are dear.

7428. Assuming there has been no rise in wages, which represent $\frac{9}{10}$ths of the cost of your production, the larger number of rupees that you receive in exchange for your gold price is so much additional profit?—So much additional profit, or perhaps to put it in another way, it saves us from any loss.

7429. Have you at all considered what would be the effect on the finances of India of open mints and a fall in exchange?—I have considered it of course from the point of view of what I may call an outsider. As I say, I do not profess to be an expert in the currency question.

7430. This is not a currency question: it is an administrative question?—I suppose the rupee would fall, and that perhaps, temporarily, it might create a certain amount of difficulty, but it would only be temporary, and I believe the Government of India is very well able to meet its obligations. It always has done so, and the other day, Lord George Hamilton stated in the House that no country except the United Kingdom could show such a record in its finances for the past 20 years.

7431. That is not with the rupee at 10*d.*?—But it had gone to 1*s.* 1*d.* in that time.

7432. May I take it that in your judgment the tea producers in South India, where you have personal knowledge, and certainly in Ceylon, where you say the considerations are the same, would be handicapped in competing with silver countries by keeping the exchange at 1*s.* 4*d.*?—Undoubtedly.

7433. And the other effect also upon your trade would be that it would practically amount to such an additional burden in the cost of your production that it would deprive you of any gain?—I think so certainly.

7434. Is there anything else that you wish to say in addition to that?—I do not think I have anything more to say on that subject, but I should like if I may, as I have been asked to represent that industry, to turn to the subject of the gold production in Mysore.

7435. That is increasing rapidly, is it not?—It is rapidly increasing, but it is also very heavily taxed.

7436. The gold is?—Yes, by the artificial rate of the rupee. Gold is almost as good an instance as one can take. The price of gold may be reckoned as 3*l.* 17*s.* 6*d.* the ounce, and that price is steady: it has not varied, I think, ever since England introduced a gold standard.

7437. In Mysore?—Mysore has followed the price all over the world. Sir John Taylor and Sons, who are the head practically of the gold mine industry in Mysore, write to Mr. Hodgson, who passed the letter on to me, "The expenditure at the Kolar Mines affected "by exchange amounts to about Rs. 633,000 per "month, or Rs. 7,596,000 per annum, therefore, every "penny that is added to the price of the rupee "increases the expenditure by 2,637*l.* 10*s.* per month, "or 31,650*l.* per annum."

7438. During the greater portion of the period that the Mysore mines have been open has not the exchange been much higher than 1*s.* 4*d.*?—Before the closing of the mints it did not affect them, because they were working on an equal level with other countries. They were all on a par.

7439. Are they not paying higher dividends this year?—That may be due to more production.

7440. But that tempers the east wind to the shorn lamb?—It may temper the east wind to the shorn lamb, but still they have this loss of 250,000*l.* If they had their mines anywhere else they would be 250,000*l.* a year richer than they are now.

7441. Is there any other remark that you would like to make?—I think not.

7442. (*Mr. Campbell.*) You think the rupee was fixed too high at 1*s.* 4*d.*?—I think it was a mistake to fix it at all.

7443. You think it is too high at 1*s.* 4*d.*, would you think it too high at 1*s.* 3*d.* or 1*s.* 2*d.*?—I think it a mistake to fix it in any way.

7444. That is to say you would not have a gold standard at all?—I would not have a gold standard. I think it is unsuitable for India.

7445. If you have a gold standard you must fix it?—Yes.

7446. The tea industry was very prosperous some years ago when exchange was in the neighbourhood of 1*s.* 2*d.*?—Yes, before the closing of the mints.

7447. Before the closing of the mints exchange never fell to 1*s.* 2*d.* I am speaking of 1894-95?—Yes that is so.

7448. The tea industry was a very prosperous one then, was it not?—Yes, it was.

7449. And if exchange instead of being fixed at 1*s.* 4*d.* had kept at about that neighbourhood, is there reason to suppose that it would not have been as prosperous now?—I think it would not be prosperous.

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7450. For what reason?—I think if you are going to fix it at 1*s.* 2*d.* when its true value is 10*d.* you still handicap the Indian producer in his competition with other countries. Of course it takes time to feel the effects of a measure like the closing of the mints. In 1894–95 we had not begun to feel it, it is only recently that we have done so.

7451. You would object to anything but the silver value of the rupee?—I should object to anything but that.

7452. The production of tea has been increasing a good deal during late years has it not?—It depends on what you call during late years. If you take the last three years the output has not been increasing much.

7453. And consumption, I think, has increased?—No, consumption I think is pretty nearly steady now—there is not much more room in the United Kingdom.

7454. So that you do not hope for any increase in prices owing to the increased consumption?—I do not think there is any chance of that. Of course in a bad season there may be a temporary falling off in crops which may conduce to a slightly higher rate, but I do not think there is any chance of a permanent rise.

7455. Not even if the curtailed production which you spoke of is continued?—I do not think so.

7456. You say you have driven Chinese tea partly out of the English market?—Yes.

7457. But you have not done that in America?—We have hardly displaced it at all.

7458. And in Australia?—In Australia we have practically driven China out of the market, but we did that long ago.

7459. Do you know if China is making any effort to regain her hold of the English market?—Well, that she is making efforts to regain her hold on the English market I cannot say, but I know that China is making every possible effort to improve her tea, and I presume that that means she will push it into the English market when she has improved it.

7460. You mean by improved cultivation ——?—Improved cultivation and improved manufacture.

7461. Have you seen any indication of European enterprise being associated with it?—Only from what I have heard. There is the Foochow Tea Improvement Company, whose prospectus you could no doubt get in the city, which has been started for the purpose of improving the cultivation and manufacture of China tea, and that is a body of British merchants.

7462. If that were introduced on any large scale, and tea production on the lines followed in India and Ceylon were introduced into China, China would become a formidable competitor?—Yes, I think she could rush us out of our market.

7463. Especially with the handicap of exchange?—I mean with the handicap of exchange.

7464. Labour is very cheap in China?—Yes. I said just now to Sir Henry Fowler that I had had no experience, but I do know as a fact that labour is cheaper in China than in India.

7465. (*Chairman.*) Just to get this figure right, the export of tea both from China and Ceylon and from India is rapidly increasing; it increased last year?—The figures for India last year were 148,258,000 lbs. against 148,217,000 lbs. That is a difference of 35,000 lbs.

7466. In the returns that we have it is put at 153,000,000 last year from India?—I got this from a large broker in the city. Every circular that is issued by one of the largest firms of tea-brokers in the city, Messrs. Gow, Wilson, and Staunton, points to the fact that there is not room for more tea in England. I got that from Messrs. Gow, Wilson, and Staunton.

7467. The better test after all is the revenue, there is no doubt about that. Now in 1895 the revenue from tea was 3,587,000*l.* In 1896 it was 3,746,000*l.*, in 1897, 3,799,372*l.* Last year there was an increase again?—Yes.

7468. You say there is no room for expansion of the trade?—I do not think there is any room for the expansion of the trade compared to the expansion, say, from 1888 to 1892.

7469. I just wanted to call your attention to the fact that there is an enormously rapid increase of the duty received at the rate of 4*d.* in the lb.?—No doubt you are right, but this has been done at a great sacrifice to the producer, who cannot afford a further fall.

7470. (*Mr. Le Marchant.*) You were speaking of expansion in the years 1888 to 1892. That would have some effect on the market, that is to say, your supplies have been materially increased?—They have been, but up to quite recently they were being increased with the object of driving China tea out.

7471. And succeeded?—And succeeded, but at a great sacrifice of price.

7472. That takes place in other industries?—Undoubtedly.

7473. It is a form of competition?—Undoubtedly

7474. There has been an increase of cultivation in Ceylon?—Yes, and in India.

7445. But not to the same extent in India?—Hardly to the same extent in India, I imagine, the reason being that Ceylon had to make up her leeway. She was interested in coffee and cinchona, and owing to the disease in the coffee they had to get rid of it and to find something to take its place. They had their capital in the soil. They could not remove it from the island, and they had to replace coffee, which they did by planting tea.

7476. And with a good deal of profit in some years?—Undoubtedly, nobody works without.

7477. Now, with regard to wages in South India, have they been increasing in recent years?—Very, very slightly so. There has been a slight increase of wages since I first went to India—a very slight increase.

7478. You were alluding to the prices of the articles the ryot had to buy. I will exclude the famine year, because that was exceptional, but, taking the period before and after that time, would you say that prices have remained the same?—I should say so on the average.

7479. You would not say that there was a general drift upwards?—No, I think not.

7480. You were speaking just now of the gold mines of Mysore as being placed at a disadvantage by the rise of Exchange. Does that apply to anything besides wages? Does that apply to machinery?—No, it would not apply to machinery.

7481. Merely to wages and cost of labour?—Merely to wages and cost of labour.

7482. Is mining labour a special class by itself, or does its rate of wages vary with that ruling in other employments?—They pay rather higher, I think, in the gold mines than elsewhere. The work is underground and is not popular.

7483. So that there is an element either of disagreeable work or greater skill in it which involves an extra price?—Yes, and I think you will find it is the case with all underground labour all over the world, that it is rather higher paid than is the labour of the soil.

7484. And that rate of payment may probably have tended to rise more in Mysore than in the tea provinces?—I cannot tell you that, but I should imagine that they are paying much the same prices now as at first, perhaps a little less. At first they would have to pay higher prices to get the men to go underground at all, but as the people got accustomed to going underground they would have been able to decrease their scale.

7485. Would the wages be higher now than when they were first developing that field?—I do not suppose it is higher, but some few years ago they were working on a level with other silver-using countries. Since the closing of the mints they have been working at a disadvantage.

7486. Would you say that the majority of the gold mines are in silver-using countries?—I do not know that there is much in Peru. Mexico is a silver-using country.

7487. But would you not say that the Cape and Australia and America were three of the chief gold-producing countries?—It may be so, but I do not think that will alter the fact that the Indian gold mines are paying more than they ought to pay, using the artificial rupee. Why should they be taxed at that amount? It is a direct tax on their produce.

7488. But are Indian gold mines at a special disadvantage as compared with other gold mines?—Competition of course really does not much matter, because it is a commodity, the price of which never really varies. You may say that that can always be produced at a profit so far as we have seen at present, but that does not alter the fact that the Indian gold mines are being fined 250,000*l.* a year.

7489. As compared with what the cost of labour would be if India were on a silver basis?—Yes.

7490. Assuming that nothing else varied?—I am speaking of silver at 26*d.* an ounce.

7491. And that wages did not rise?—Yes, and there is no reason to suppose they would.

7492. (*Chairman.*) Your argument does not apply to countries which are not silver-using countries?—No. I bring forward gold as a case, because what happens in gold happens in every other product in India, and when you show that on a small field like the Mysore field there is a tax of 250,000*l.*, what must be the tax on the whole productions of India, because the argument as applied to gold applies to every other product in the country, that you are paying a higher value for your labour than you need by paying it in gold?

7493. (*Mr. Le Marchant.*) And that rate of wages, you think, would be the same, whatever the system of currency might be?—I am sure of it. I am quite sure that a low exchange would not alter the rate of labour.

7494. Nor prices?—I imagine not. I have seen the rupee fall from 1*s.* 10*d.* to 1*s.* 1*d.*, and I never found any material alterations in prices.

7495. But they are subject to variations?—They are subject to good or bad seasons.

7496. So that you feel confident that prices would not adjust themselves to a different level of exchange?—I am speaking of the prices that the coolie pays. I do not think that they would alter.

7497. (*Chairman.*) I can just give the exact figures of tea in the United Kingdom retained for home consumption. In 1891, 202,000,000 lbs. In 1892, 207,000,000 lbs. In 1893, 208,000,000 lbs. In 1894, 214,000,000 lbs. In 1895, 221,000,000 lbs. In 1896, 227¾ million lbs.

7498. (*Mr. Holland.*) The tea planter and the grower of produce claim to have themselves the advantage of this 10*d.* rupee. Is not that so?—They want to have the advantage of it.

7499. And you have spoken of it several times as being the true value of the rupee?—No, I will not say that, because the value of the rupee varies. I believe silver is 27*d.* an ounce now. I imagine that would make the rupee worth about 10½*d.*

7500. But within those limits, do you not admit that so far from being the true value it is an artificially low value?—No, I do not admit that.

7501. If the mints had not been closed, for instance, do you think the value would have been so low?—You have to take other factors into consideration. For instance, there has been lately a demand by Spain for silver which has sent silver up a penny or three-halfpence; but if the mints had not been closed, I do not think we should ever have seen the rupee so low as it did go to.

7502. The ground of your discontent is not so much that you cannot yourselves have the advantage of a low rate, but that your competitors in silver-using countries have that advantage?—Yes.

7503. And therefore your competition with them is unfair?—Exactly.

7504. (*Sir A. Dent.*) Is there much tea grown in South India as compared with North India?—As compared with North India, the tea industry in South India is very small.

7505. Is it 25 per cent. of the tea industry of India?—I should imagine it is not.

7506. Is it 10 per cent.?—I could not tell you without reference to the figures, but I should imagine that of the cultivation of South India, taking tea and coffee together, probably tea is about a quarter of coffee, and, as estimated by the South India Planters Inquiry Committee, the value of the estates in South India is 13,000,000*l.*; that is coffee and tea. So that, probably, the tea might be about a quarter of that. In Travancore, which is a very considerable province in South India, you may say that the whole cultivation is tea, and all through the Nilgiris.

7507. From what ports is that shipped?—Cochin, Quilon, and Calicut.

7508. You say there are probably under 2,000 acres left in South India for the cultivation of coffee. That would apply to tea, would it not?—No, there is more available for tea than coffee. Perhaps I am not quite right in saying that there are not more than 2,000 acres available for coffee. I ought to have qualified that by saying that there are other places that are not now available, but could be made available; I mean there are no roads or railways.

7509. As tea in South India is a comparatively small industry, I suppose you are speaking as much for Ceylon as for South India?—I should really speak, too, for North India as regards that, because our interests are identical. I speak for the whole body of tea producers.

7510. But the planters of South India have rather amalgamated with the planters of Ceylon in presenting themselves before this Committee?—Yes.

7511. You told us that 127 superintendents had been dismissed recently, and that there was practically a panic in Ceylon?—Yes.

7512. Personally, I was rather surprised to hear that, because I hear a good deal about Ceylon. May I ask if that is mere general public opinion, or is it more a private note?—It was a letter to me from my agent. I employ an agent, who is an old Ceylon planter, to get me orders for my tea seed, and it was he who gave me the information. He has been in Ceylon, I suppose, some 15 years, and I have no reason to suppose that his statement is not an accurate one.

7513. When you say 127 superintendents were dismissed, it might be thought from that that 127 estates had been abandoned?—Not in the least.

7514. Possibly it is only 127 assistants?—No, I do know that it is even that. I remember in the old coffee days, when coffee was dying out right and left in South India, the first means of reducing the expenditure was to dismiss the superintendents, and the result was that five or six estates would be put under one management. I, myself, at one time had seven estates. All seven were under my management, without any other European supervision whatever.

7515. The prospects of Ceylon, of course, have not improved in the last few years, but they have not come to abandoning their estates yet?—Yes, I believe they have.

7516. You do not know that yourself?—No.

7517. I suppose the planters of South India and Ceylon, with reference to China, are more afraid of what China is going to do than of what China has actually done, is not that so?—Partially. China has done a good deal already. She has already compelled us to accept a price that we never anticipated that we should have to accept.

7518. I think that is an arguable point. Then you also refer to the Foochow Tea Improvement Company. Do you know anything of its working?—I know nothing of their working, but it would be easy to get hold of their prospectus in the city.

7519. Have they got much beyond the prospectus stage?—I understand that machinery has been ordered and sent out to China. I know that.

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7520. Then, you alluded to the handicap of the 1*s.* 4*d.* exchange, as against the intrinsic value of silver. May I ask if you have ever studied the question of the copper cash in China?—No, I know nothing of that.

7521. There is a great handicap there. I have heard it said that a few years ago you could get 1,200 copper cash for the dollar, but owing to the depreciation in silver you now get only 800?—I know nothing of China.

7522. (*Sir C. Crosthwaite.*) I understand you to say that in your experience wages have been practically stationary in South India?—Not absolutely, but practically stationary. We pay slightly higher rates than we did.

7523. And you say, also, that the purchasing power of the rupee, as regards the articles consumed generally by the labourers, had remained about the same?—About the same.

7524. That would mean, would it not, that the prices of food grains had remained about the same?—Not necessarily, because you remember that the estates in South India are rather inaccessible, and it does not pay to send the food grains out of the country. In my own district for instance, the foot of the hills, from which I come, is 90 miles from a railway, and the railway is some 150 miles from the seaport, so that the cost of transmission of the grain to the seaport is enormous, and they prefer to sell it in the country to shipping it. That is the reason, I imagine, that the food grains have remained stationary; that applies generally to the whole planting district of South India.

7525. That evidence merely applies to a certain tract?—It applies to the whole of the southern Indian planting districts.

7526. What do your coolies mostly live on?—They live on ragi, cholum, rice, curry stuffs, cocoa-nuts, and so on.

7527. Is rice exported from that part of South India to Ceylon?—I do not think so. I could not say so with certainty; they may export a certain amount of rice from Tuticorin; I rather doubt it.

7528. Has not the price of rice risen?—Only according to the season. Rice was very high last year.

7529. Over 20 years, has there not been a great rise?—Not a great rise. Understand, I am speaking of South India, our planting district.

7530. I understood you also to say that there has been no alteration of Indian prices owing to the variations of exchange?—The prices of our produce, do you mean?

7531. Yes, the prices in India of produce?—Our produce in South India is not sold in India. We send it all to England. I do not think I could have made that statement.

7532. You did not make it with regard to produce in India generally?—With regard to tea, certainly not. There has been a great fall.

7533. (*Sir D. Barbour.*) I think you said that the value of the tea and cinchona and coffee estates in South India was about 13 millions sterling?—Yes.

7534. Do you know how they were valued?—By the South India Planters' Inquiry Committee—a Committee appointed by the Viceroy to inquire into the grievances of the planters of South India.

7535. What year was that?—It was in 1896, I think. They took infinite pains with that inquiry.

7536. Was that the market value at the time, or the cost of creating these estates?—I conclude it was the market value at the time.

7537. You are not certain of that?—Well, the method in which they arrived at their valuation was to send round a series of questions to every planter in South India, requesting him to state the value of his property, and the wages he paid. and the per-centage he made on his capital, and so on, and return the questions with the answers to the Committee, and then they formed their own opinion on the subject.

7538. Every man values his own property?—I think so—yes.

7539. So that we may assume that he did not put it too low; that would not be his interest?—Well, I should imagine his interest was to tell the truth, as every gentleman's is.

7540. I do not accuse anyone of intentionally overvaluing his estate, but there is no reason to think that the value was put too low?—I should think in many instances it was put too low. I should imagine decidedly so, but I should imagine what was really done—I certainly did it in my own case—was to put the true value, and I know I could have put it at a higher price.

7541. You put it at its market value?—I put it at what I considered its market value.

7542. Is your own personal industry the production of tea, or tea seed, or both?—Both.

7543. You said you thought the fall in exchange had not kept the rupee price higher for the person who used imported goods. Do you think that that can possibly be the case?—I think so, and I think you will find the figures I have given in my statement are correct.

7544. I am not challenging those figures, but would not the rupee prices have been higher if the exchange had been lower? Must it not necessarily be so?—It depends what you mean. If you mean that rupee prices would be higher now than they would be 15 or 20 years ago, I should be inclined to dispute it.

7545. I do not mean that?—If you mean that the prices would be, say, lower in 1897–98 than they were in 1890–91, I should be prepared to accept it.

7546. I do not mean that either. I mean that if the rupee price of an imported article is 100, with the exchange at 1*s.* 4*d.*, it must have been something more if the exchange was 1*s.*?—Quite so, but I think it requires some qualification, because the argument so far, by the Government of India, has been that the importer now has to pay a far higher price than he had when exchange was high. That is not the case.

7547. I do not think the Government of India have said that?—Yes, I have it here in black and white. "A country as a whole makes no gain in its "international trade by a depreciation of its standard, "the higher prices received for exports being "balanced by those of imports." That is what the Government of India stated, but higher prices, owing to the fall of exchange, have not been balanced in that way, because in 1875 exchange was high, and yet the price of goods in 1892 was considerably lower than in 1875, so that the argument does not hold good.

7548. But the Government of India were dealing simply with the question of exchange. If the exchange is low the exporter gets a higher price, but the importer has equally to pay a higher price?—That is a *sine quâ non*, of course, but you must remember that the import trade in India is insignificant comparatively with the export trade.

7549. I do not know that it is comparatively insignificant, but the question is this, that if exchange is low the importer must pay a higher price than he would have done if the exchange were high?—Of course he would.

7550. You said you thought silver was a better standard than gold?—Undoubtedly.

7551. Why is it better?—Because the goods of India compete with those of other silver-using countries, and if you are going to have a fixed standard in gold you immediately handicap the Indian producer.

7552. If the other country issued inconvertible paper, like Argentina, and caused a fall in the exchange, how would you meet that competition?—I am not a currency expert, and I cannot answer questions of that class. I only know that provided there is a fixed currency in India, and we have to compete with China and the Straits and other countries with the ordinary standard, we are handicapped tremendously.

7553. Do you think it is a permanent handicap?—Undoubtedly.

7554. Why would it be so?—I think if India has a gold standard she will import very much less silver, and so much more will go on the market that prices will run down, which will give a bonus to other silver-using countries.

7555. Do you not think that wages as well as prices will rise in those silver-using countries?—No, I do not think there is any reason to suppose so.

7556. (*Sir J. Muir.*) I think you mentioned that you considered that you had retired from India for good?—I had not intended going back.

7557. But now you feel that you will be compelled to return to India?—I know I shall.

7558. Why?—Because I cannot live in England.

7559. Why?—Because my income has been so reduced that I cannot afford to live here.

7560. Reduced by what?—By the depreciation of the rupee, by this tampering with the exchange.

7561. Then you feel, as it were, that you have a grievance against the Government of India?—I think I have a most decided grievance, which is shared by all producers.

7562. It is shared by the planters of Southern India?—I know it is shared by all planters, and I am quite certain that if it were understood by the natives, it would be shared by the natives. Unfortunately in India this sort of information very slowly percolates to the small producer, and he does not understand the mischief that is being done him. As soon as he gets to understand it, I imagine it will be a serious matter.

7563. Can you tell us about how much capital has been invested in tea in South India?—I should think about 3,000,000*l.* sterling.

7564. You have referred in strong terms to the effect that this policy of the Government in closing the mints, and fixing the rupee at 1s. 4*d.*, will have on you personally. Now, are you anxious lest your estates in South India should become unremunerative?—That is what I fear.

7565. Not merely that they may not give you any income on which to live—— ?—What I fear is that I shall have to put into my estates, in order to keep them going at all, the income that I have outside my estates altogether. I fear that my income will be less than my expenditure on the estate.

7566. Then, with regard to the other planters who have solely their estates to depend upon, who perhaps may be financed by houses in Madras, or it may be in London, what will be the effect upon them?—The estates will be taken over eventually, I imagine, by the firms who financed them. That happened before in the case of the coffee disaster in Ceylon; the estates which got involved to the coast firms were taken over by the coast firms, and there was widespread ruin among the planters.

7567. We had a very leading banker before us recently who spoke of this action of the Government of India as being, in his opinion, arbitrary and despotic—do you share his views?—I not only share his views, but it seems to me as absurd for the Government to try to artificially fix the value of the rupee, as it was for James II. to melt down brass cannon and coin them, and call them shillings. You will not get the outside world to accept your artificial standard. You appreciate the coin beyond its full value, but the world will not accept it, it can only circulate in the country; it would probably cause a revolution in any other country but India that understood it.

7568. You mentioned, in addition to tea proper, that you were a producer to a considerable extent of tea seed?—Yes, I am.

7569. And that you had found it impossible to sell any of your seed for next season?—Yes.

7570. You talk of that as an indication that the planters of South India have got frightened at the prospects of their business being seriously imperilled?—I think that is the reason entirely. I know of no reason for it otherwise. I have been able to sell before, I cannot sell now.

7571. Do you sell it entirely in Southern India or in Ceylon partly?—Entirely in South India.

7572. Your estates are in Travancore?—Yes.

7573. The planters of South India seem to feel that they have a strong grievance against the Government of India in consequence of this arbitrary proceeding. Have they suggested any means whereby they might get relief from this injury that they are sustaining?—The planters of South India are perfectly willing, should the Government of India find it necessary to make good the deficit, to submit to an export duty on their produce in order to make good any deficit there may be. But in saying that, of course they assume that it would be put on the produce of India in general; I mean on all produce, wheat, jute, hides, and everything.

7574. Have you considered the question as to an increased tax on imports?—I do not think that you could do it by increasing the tax on the imports. There is already a 5 per cent. import duty, and it seems to me only fair that if revenue is required, it should now be raised from the exports.

7575. (*Chairman.*) Who pays the duty that is put on the exports?—We do not pay any now.

7576. But suppose a duty were put on exports, who would pay it?—I suppose the producer.

7577. Do you think so? Suppose Government put a duty of 2*d.* in the pound on tea exported, who would pay that extra 2*d.*?—I suppose as it was sent from the port of shipment——

7578. I do not mean to say who would find the coin, but who would be the ultimate payer? Would not that increase the price of the tea in the London market?—I do not think it would, because you have got China as a factor.

7579. But you must pay it on all exports?—I mean Indian exports.

7580. You propose that the London consumer shall be liable to have the price of his tea imported from the British Empire raised so that he will have to pay a higher price for it than if tea were imported from China?—I do not think he would have to pay a higher price for it myself. Because I think if we had a very small tax, say 3 per cent. on tea, our price in London now would be sufficient to cover it.

7581. Do you mean that you have such a large margin that you could afford a duty of 2*d.*?—I did not say 2*d.*, I said 3 per cent.

7582. But the principle is the same?—Hardly, because at present we are paying a duty of 40 per cent.

7583. (*Sir J. Muir.*) In reply to the Chairman you are making a comparison; that is to say, you and the planters of southern India consider that you are practically loaded just now by a heavy duty in respect of this 1*s.* 4*d.* exchange, and that suppose a 3 per cent. duty were put upon you to meet the Government budget—— ?—It would be infinitely preferable to paying the disguised duty that we now pay.

7584. (*Sir F. Mowatt.*) You said that the effect of the change from a silver standard to a gold standard in India was so severe, that if it had been applied to any other country it might have caused a revolution?—I did not say that, I think. I said that the artificial raising of the rupee, I believe, in any country that had the intelligence to understand what effect it would have would have caused a revolution. I believe that such a measure of legislation would have been absolutely impossible in this country, granting that this country had a silver currency. I do not believe it would have been possible to have done such a thing.

7585. But there has been a change from a silver standard to a gold standard in Germany, has there not?—Yes; but I was speaking of the artificial appreciation of the currency, not of the introduction of a new standard. I said the artificial appreciation of the currency, supposing you have a rupee at 2*s.* and you arbitrarily call it 2*s.* 6*d.*, I say that would cause a revolution. I say that the introduction of a gold piece to represent 2*s.* would cause a revolution.

Mr. G. L. Acworth.

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7586. (*Chairman.*) You object to a gold standard for India, because it would put India into such a disadvantageous position in competition with silver-using countries?—Yes.

7587. Are you aware that 80 per cent. of the trade in India is done with gold-using countries?—Yes, I am.

7588. How would that affect your opinion?—Whether you introduce gold or not, our wages must be paid in silver. As I understand it, this gold is not to circulate, it is to be hoarded.

7589. That is not the point; that is a detail of one scheme. I understood you to say that you objected to a gold standard for India altogether, no matter how worked out, because it would put India at a disadvantage with silver-using countries?—Yes, because we compete with silver-using countries.

7590. And you compete with gold-using countries?—No, we do not compete with gold-using countries, we compete with silver-using countries. Our goods are almost all sent to Europe.

7591. To gold-using countries?—To gold-using countries, and are sold in gold using countries; but we compete with China and the Argentine.

7592. But you compete with China so far as tea is concerned in London?—No, we compete with China so far as tea is concerned in China.

7593. But you send your tea to London and they send their tea to London, and you beat them because you have a better article which you sell at a lower price?—But the China producer can buy more silver than I can; therefore he has an advantage. I compete with him in his own currency.

7594. You say you are not a currency expert, and you need not answer this unless you like; do you not think that the standard of value and the medium of circulation should be liable to as few fluctuations as possible?—Yes.

7595. Then putting the Government out of the question, let us take the enormous fluctuations in the price of silver?—I quite admit all that, but there have been many factors to make silver fluctuate. If the Government of India would adopt the policy suggested, if they would reopen the mints, undoubtedly silver would fluctuate at first, but I believe the rupee would gradually steady down, and keep its relative value with silver.

7596. Is not the price of silver affected by the cost of its production, and the increase or decrease of its supply?—Yes, but there is no reason to suppose that its fluctuations would be any more violent than those of any other product. The mistake that has been made is looking on silver as silver. If you would only look upon it as a marketable product just as tea or jute, or any other product, there is no reason why it it should fluctuate more violently than any other product.

7597. You say that an artificial coinage would be of no value outside India?—No.

7598. I agree, but how do you apply that to the artificial coinage that we have in this country?—How do you mean, artificial coinage in this country?

7599. What is the intrinsic value of our shilling?—It is not the coinage of the country—it is not the standard.

7600. I know. We have a gold standard, but we have a token currency?—You have a token currency, and by law you cannot pass more than a certain quantity of it—forty shillings. A shilling is not worth the twentieth part of a sovereign.

7601. Does it not circulate as the twentieth part of a sovereign?—Only by law.

7602. No, there is no law which enables you to get gold for silver?—There is a law which prevents your tendering more silver than the receiver likes to have, which practically amounts to the same thing.

7603. Practically the shilling does circulate here, although it is a token coin?—It circulates as a cowrie does in India. You find in India the cowrie used as a medium of circulation, but it has no value.

7604. My point is that all token currencies partake of that element?—Yes.

7605. Now you said that there was a loss to the native by a high exchange?—By an artificially high exchange.

7606. Where does that come in?—He receives less for his produce.

7607. Would not that mean lower prices?—Where?

7608. If he has to sell?—He gets less if he has to sell.

7609. But you said prices had not changed?—No, I beg your pardon; I qualified that statement by saying that the prices that our labourers pay have not changed. The produce they use for subsistence cannot be sent out of the county owing to the enormous cost of transport; they have no means of sending it. It is a curious fact that in our hills the prices of grain have kept steady; but if you take rice that is sent down to the coast the price has risen enormously.

The witness withdrew.

Adjourned.

(*For Mr. J. E. O'Conor's evidence on this day, see supra p.* 51.)

SEVENTEENTH DAY.

Monday July 25th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.M.G.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

The LORD ROTHSCHILD called and examined.

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7610. (*Chairman.*) I understand you have a statement you wish to read to us?—I may say at the outset that I know nothing of India itself, never having been there; therefore, in reading this paper, and in giving my opinions, I only give them as an Englishman, and knowing the circumstances in other countries. In this paper I have replied to the questions that were sent to me. I had better say at once that I did approve of the closing of the mints to the free coinage of silver in 1893. Owing to the cessation of purchases of silver by the United States Government, and the failure of the Brussels Conference to come to any conclusion, the Indian Government were face to face with a grave financial crisis, and in view of the impossibility, or supposed impossibility, of increased or new taxation on any large scale, there was no other course at the time open to the Indian Government except the closing of the mints, notwithstanding the fact that the great fall in silver might be of benefit to other silver-consuming countries. I certainly think that there were faults of detail in the operation; the first fault was coupling the closing of the mints with the subsequent introduction of a gold standard and a gold currency; from this remark it follows that no limit should have been placed on the expected rise in the value of the rupee; by fixing the maximum value of the rupee at 1*s.* 4*d.*, the Indian Government notified to the financial world and to exchange banks and dealers the highest price they would have to pay for remittances to India; in fact anyone depositing a sovereign knew he could always receive 15 rupees; so that a very strong inducement, in fact more than an inducement, was held out to the financial world to withdraw floating capital from India, when the exchange was 1*s.* 4*d.*, on the presumption which has often been realised that money could at certain times be sent back at a lower rate of exchange.

7611. Do you know that there was a difference of opinion amongst the members of the Herschell Committee about that 1*s.* 4*d.*?—Yes.

7612. You may remember that Mr. Bertram Currie was strongly opposed to that?—Yes. I think it right to mention here—although perhaps it has nothing to do with this part of the question—that there is an idea among a great many, that if you could only assimilate the currency of India, or the standard, to that of England, money would flow to India in time of stringency as it does to London when the Bank rate is raised. Now the Committee must bear in mind that the circumstances of the London market are not only very peculiar, but quite exceptional, namely, almost the whole trade of the world is effected by means of bills on London, and during every day of the year large amounts of bills fall due for foreign account which have to be met at maturity. As a rule these drafts are met by other long drafts which are discounted in the open market here. Now, when from exceptional circumstances the rate of discount rises here, it naturally pays those who are indebted to this country to remit gold rather than long bills. As far as I know, India is not in a similar position, and the only way in which capital goes to India for a short period is through the intermediary of the exchange banks; they can tell you better than I can how far it is possible with safety and prudence to lend money in India; no doubt occasions do arise when rupee stock finds its way over here, but I think, so far as this discussion is concerned, nothing that can be done would place an Eastern State on the same basis as an European one.

7613. You mean in the automatic flow and reflow of gold?—Not of gold, but money for short periods. When the Indian Government closed the mints to the automatic coinage of silver, the Indian Finance Minister and the Indian Exchequer were put in exactly the same position as the Russian Finance Minister and the Russian Exchequer have been in the last 10 years. Russia has during the last 10 years been creating a large reserve of gold; I believe it now approximates to 130,000,000*l.* This reserve has been created, first, by keeping in Russia the produce of the Russian gold mines; secondly, by receiving the coupons of her external debt as customs duties, as well as receiving those duties in gold or in the bank notes of England or France, which is exactly the same as gold; thirdly, by large borrowings outside of Russia, and redemption of internal loans; and fourthly, by exchange operations, when considered necessary by the Minister. I will explain this: at times Russia has had a superabundant harvest, and there has been a plethora of bills offering for sale; the Russian Government have never hesitated one instant; they depressed the exchange, which was a premium on exports, by becoming large buyers of bills, and, whilst they were borrowing abroad for their general purposes, ordered gold to be sent to them from the proceeds of these bills. I am perfectly well aware that it is difficult to compare the action of the Russian Government with that of the Indian Treasury, insomuch as one Government is quite autocratic while the other has to a certain extent to depend on the sanction of the English Parliament. At the present moment the Indian Government have just floated a loan for 6,000,000*l.* in England, and if report is to be believed, they are about to issue a rupee loan for 2,000,000*l.* in India; the action of the Russian Government would probably have been a different one; they would have issued a loan for 8,000,000*l.* in

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England, and would, in all probability, have sent 2,000,000*l.* of gold to Calcutta to be held against their issue of notes there, and would have coined a portion of the silver in their Treasury which would have been put in circulation, and it would not have been a disadvantageous operation. The Indian sterling loan costs the Government about 2¾ per cent., whilst rupee stock is now sold in England and India to pay 3½ per cent. Notwithstanding the facts which I have mentioned above, that the present condition favours other silver-consuming countries, I should never have advocated the re-opening of the mints unless by arrangement with other nations, and I consider it a mistake on the part of the Indian Government discarding in the way in which it has done the proposals made by America and France last year; naturally India should have reserved her right to coin gold as well as silver, but the other conditions raised by France and America were conditions which regarded not India but England, and although I consider the majority of the conditions not only impracticable but absolutely impossible, the question for Her Majesty's Government in London to consider was, and is, which sacrifice is preferable—to help to reopen the mints to the free coinage of silver, or to assist the introduction of a gold standard and currency? Before answering the question of a gold standard and currency for India, I must be allowed to remark that at present there can be no analogy between a country like Egypt and India as it is to-day. To begin with, there is no importation of silver into Egypt, and if you wish to establish a gold standard and a gold currency in India you must either absolutely prohibit the importation of silver into India from private sources which always will leave the Government of India the right to buy silver if they want it, or put such a heavy duty on the importation as to make it prohibitive. I think I ought to remark here that, since writing this, I have seen various gentlemen who are connected with the trade of India, and they assert that silver is now a commodity, and that you would have no more right to prohibit the importation of a commodity like silver than you would to prohibit the importation of any other commodity, but that you would have a right to put a very heavy duty on it. I personally do not think that silver is introduced so much as a commodity as a form of currency, which the native prefers; but, as I say, I have not been in India myself, and therefore I can only speak from hearsay. You must also bear in mind that since the British occupation of Egypt, not only has the drainage of gold to Constantinople completely ceased, but also that the interest on the debt has been considerably reduced. Large irrigation works and light railways have been constructed, and are still being constructed, with the aid of foreign capital, the area of land under cultivation has considerably increased, and with the area the exports have considerably increased, besides which, the increased number of travellers to Egypt alone accounts for the automatic flow of gold to that country. In considering the question of a gold standard and a gold currency for India, one can only compare the circumstances to those of, say, Austria and Russia. Both those countries had, no doubt, in former times, made a somewhat free use of the printing press. I think I ought to mention here that although both Austria and Russia had State banks, in time of difficulty the State issued notes of their own, which passed as legal tender.

7614. Were they inconvertible?—They were inconvertible. When they determined on a gold standard no more notes were issued and the influx of silver stopped; the silver in the possession of their Treasuries being used for fractional currency; similarly, it would be necessary for the Indian Government to stop the influx of silver, and the next step would be to raise a loan in England for the purchase of 18,000,000*l.* or 20,000,000*l.*, in order to buy gold to be held as a reserve against the notes now issued against silver (at present held by the Indian Government), the silver being in future reserved for fractional currency. I am afraid my evidence may startle some nervous people, but I have no intention of advising that the 18,000,000*l.* or 20,000,000*l.* of gold should be purchased at once; the operation would naturally extend over some years, as the Austrian and Russian operations did, and would require very careful manipulation and knowledge of the markets of the world. On the advisability of a gold standard and a gold currency for India—and I cannot separate them, though for a time the gold may not be put into circulation—I must emphatically remark here that a change of that kind, desirable as it may be in the interests of India, will be of no avail and will effect no permanent good unless steps are taken to increase the exports of India, because it is on the magnitude of the export trade that the future of a gold standard and gold currency depends. It is quite true that the staple trades of India—cotton, jute, indigo, wheat, and tea—are the results of private enterprise, but the opium trade, which is not only of great benefit to the Indian Revenue, but also affords an article of export to China, shows how in a country like India trade may be fostered. If the Indian Government had pursued the same policy with tobacco as they have with opium and with other articles, such as silk, &c., there would probably be at the present moment a much larger balance of trade in favour of India, which of itself would, if there had been no limit to the value of the rupee, have solved some of the existing difficulties. He would be a rash man who affirmed that the American currency, as it now stands, is on a sound and satisfactory basis; twice within the last 10 years have the United States Government been obliged to raise large loans for the purpose of obtaining gold; but what is the present state of America? During the last 12 months her exports have been just double her imports;—240,000,000*l.* against 120,000,000*l.*, and these exports have not consisted entirely of agricultural produce or of minerals, but to a large extent of marvellously finished goods, electrical apparatus, and machinery to all parts of the world, railway engines, and even rails to India and Australia. Naturally, America has been greatly benefited by her splendid system of railways, and when on the subject of railways, I must say here that in my opinion any amount of capital could be found in England for Indian enterprises, such as railways and irrigation works (naturally some guaranteed and some unguaranteed), if the Indian Government had given more facilities and had been more liberal to private enterprise. Whenever a railway concession has been granted to a private individual or a company, the Indian Government reserved to itself the right of repurchasing the enterprise after the lapse of a certain time, making the investment of capital unattractive. The same policy applies to the development of minerals in India and Burma. I personally have no doubt that under generous treatment the capital required for the development of India could be found in the London market, but as this is only one of the side-issues raised I must again refer to the main question, viz., Which is the best currency to be adopted for India? The authorities at Calcutta, having discarded all idea of an international arrangement for the renewal of bimetallism—I suppose there is nothing now to be said on that question: and your Committee have now to decide between a gold standard and gold currency pure and simple, and between the continuance of the present arrangements with such improvements as past experience has proved to be necessary. With my small knowledge of India I should not venture to express an opinion upon the desirability of a gold standard for that country; if it were introduced it probably would be judicious to fix a higher rate as the value of a rupee than 1*s.* 4*d.*; the savings in exchange would partially recoup the Government for the loss of interest on the loan to be raised, and for the possible, I will not say permanent, but temporary, falling off in the revenue owing to the new circumstances which a change in the currency would bring about. It would naturally take some years to establish the gold currency. One of the

points on which there has been much discussion is the fact that during a long period of years, namely, from 1835 to 1895, the net imports of gold into India amount to nearly 150,000,000*l.*; none of this gold is visible to the naked eye, and it is presumed it is hoarded by the natives; how far this is a fact I do not pretend to say; silver coinage is naturally used for daily purposes, and the supposed hoarding, particularly of small bars, of which I have brought a sample, may be no more or no less than the sovereigns which some people carry about with them. To outside observers the closing of the mints has probably increased the desire for hoarding, and silver and gold bars which are freely sold in the native bazaars pass for money instead of a coin with the Sovereign's head. If it were clearly proved that in an European State with a paper currency there were hoardings of gold amounting to more than 100 millions sterling, it would lead one to believe that the adoption of a gold standard and gold currency could be more easily effected, and that ultimately those who hoarded the gold would exchange it for bank or State notes. I mention that because it is a fact that in 1870, at the time of the Franco-German war, the Bank of France had to suspend cash payments because there were great hoardings of gold, and confidence was restored. The same thing happened in America during the Civil War, and also on other occasions. I think you may take it for granted that in a civilised State, where there is hoarding, it is a very easy matter for the restoration to a gold currency. How far this may be the case in India I do not pretend to know, but considering that India is administered by Englishmen, that her credit stands higher than that of almost every European nation, England excepted, and that she has at present a surplus of exports over imports (certainly a large surplus if you deduct the silver), it would appear to outside observers as if the elements for the introduction of a gold standard were not wanting in India. I have treated this question simply from the point of view of the possibility of introducing a gold standard and not from the point of view of the effect which a further fall in silver might have on the exports from other silver-using countries. If the Committee should discard a comprehensive scheme for altering the currency, there remains nothing but to consider what can be done to alleviate the ills which the present system is said to have created. The prevalent idea seems to be that if you could ensure a certain fixity of exchange money would flow to India; my belief is that the Indian Government will attract money to India for public works and for great undertakings if they set to work in the right way. I also believe, although I may be quite wrong on the subject, that quite apart from the fluctuations in exchange, the great banks which now carry on the Eastern trade have discovered that the right and only policy for them to pursue is to keep their capital intact in London and to be continually sending it backwards and forwards. The policy of borrowing money in London and allowing one's agents in distant branches, not only in India, but elsewhere, to lend it out on security, the value of which is unknown at the head office, has been curtailed for a great number of years. Two proposals have been made for remedying the present evil, the one is Sir James Westland's and the other is Mr. Lindsay's. There are, in my opinion, two fundamental errors in Sir James Westland's proposals, the first is that in order to remedy the present evils he would increase them tenfold by creating an alarming stringency in the money market, the second is the proposal for melting down rupees and selling silver bullion. The sale of the silver bullion in India would not prevent the importation of that metal; it would considerably knock down the price, and in that way, according to Sir James Westland's own showing, in his despatch about bimetallism, would benefit the trade of other silver-using countries. Mr. Lindsay's scheme has, on the other hand one great and distinct merit, he recognises that the closing of the mints was a blow to what I may call free trade in currency, and has put the Indian Government in the same or a similar position as the Russian Government was in some years ago; his remedy, however, is a very doubtful one; he proposes to be a seller of drafts on London at 1*s.* $3\frac{3}{4}$*d.*, so that whenever the exchange is below this fixed price the exchange banks and others who are continual buyers of Council drafts would avail themselves of his offer. At the same time he proposes to draw on India at 1*s.* $4\frac{1}{16}$*d.* Now during the last five years the average for Council drafts has certainly not been higher than 1*s.* $2\frac{1}{2}$*d.*, and this although repeatedly during this period the Indian Council has stopped drawing altogether. I fail, therefore, to see how he will be able to draw on India at 1*s.* $4\frac{1}{16}$*d.* The idea that a man would buy a Council draft at 1*s.* $4\frac{1}{16}$*d.* in order to secure a comparatively high rate of interest for a few months, and when he knows that he will probably lose 2 per cent. on his remittance home is one of those problems which I cannot solve. I should like to explain that rather more fully. As far as I understand Mr. Lindsay's scheme, he says money has been worth 15 per cent. per annum or more in India; 15 per cent. per annum is $3\frac{3}{4}$ for three months, and he and his friends in various documents have stated that, when money is dear outside London, people send it to Germany or Paris or New York for three months. Now, suppose Mr. Lindsay's scheme were in operation, what would be the effect of that? A man would have gone to the Gold Standard Office, as he calls it, and have bought a draft on London at 1*s.* $4\frac{1}{16}$*d.* in order that he might lend the money for three months at the rate of 15 per cent. per annum, or $3\frac{3}{4}$ per cent. for the three months, although he knows that it will cost him 2 per cent. presently to remit his money home. Mr. Lindsay thinks that that is likely to happen. I think it is ridiculous. If it is intended to regulate the fluctuations in the exchange by means of a large bank, then I may be allowed to mention that during the last few years of the reign of Don Pedro Segundo in Brazil, a large bank was started with the object of improving and regulating the exchange; the capital for this bank was easily subscribed both at home and in Europe, and when their drafts on their correspondents first appeared the effect on the exchange was no doubt considerable, but as is usually the case with operations of that kind, the bank lost very large sums of money by their operations, and certainly produced no permanent improvement in the exchange. I would mention another case famous in financial history, but it was long before my time, namely, the United States Bank, which was founded between 1830 and 1836, the primary object of which bank was to regulate the exchange between America and England—and as you, sir, and the Committee are no doubt aware, the failure of the bank was disastrous, and brought down a good many houses at the time. If a bank were established to carry on the exchange business suggested by Mr. Lindsay it would probably have to be affiliated to the present exchange banks so as to avoid competition, and then in the interests of its shareholders it would always be more or less in open competition with the Government. It is perfectly true that various Governments during the present generation have reverted to a gold standard and currency; the American Government after the Civil War, for a time, collected their Customs duties in gold, and then made a loan for a certain amount which enabled them to say that their green-backs and national bank notes were redeemable in specie; they have had twice to come to the assistance of their note issue, but during the last 18 months the tremendous prosperity of the United States has done more for their currency than any legislation. After the war of 1870 the indemnity which the German Government received from France enabled them to change their various existing currencies into a gold and monometallic basis, although I have been told that at the present moment the Bank of Germany still holds a certain amount of silver which is calculated as gold. Russia has taken

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nearly 10 years to establish a gold currency; she was probably helped by the produce of her own mines, but the efforts and the sacrifices have been heavy, and, curiously enough, now that the gold currency is established, the great difficulty for the Russian Government is to get the gold into circulation; the Russian peasants still cling to the idea that the double Imperial only represents 15 roubles of paper money, and cannot make out why they are called upon to give up 20 roubles of paper, the Russian Government having fixed a par of exchange at about 25*d.* per rouble, instead of 37½*d.*, as it was formerly. The Austro-Hungarian Government, who, like the Russian Government, had issued a large quantity of paper money in time of war, borrowed 30,000,000*l.* to redeem that paper money—they were helped at first by abundant harvests, and although the bank does not part with their gold freely, still they are obliged on occasions to let some of the gold out which has lately shown a disposition to come over the border. What the cost to the Italian Government was to try and secure a gold currency, Mr. Hambro, a member of your Committee, will be able to explain better than I can, but gold coins are certainly very scarce in Italy just now. Owing to the great depreciation in silver, Chili made an attempt a few years ago to introduce a gold standard, but it has not so far proved a success, and the same may be said of Japan, the latest convert to a gold standard. If India is to adopt a gold standard and currency, she will have to make long and steady preparations as the Russian Government did, and although the amount of gold she would require might at first sight seem large, it must be remembered that the annual production of gold is now 45,000,000*l.*, and is rapidly increasing every year.

7615. That is the annual production throughout the world?—Yes. I think, myself, it would be nearer 55,000,000*l.* than 45,000,000*l.* sterling; but I do not say that with any authority. To sum up, I do not venture to advise the adoption of a gold standard and currency for India as I am practically unacquainted with the country. I have merely attempted to show that Sir James Westland's scheme is impossible and that the Lindsay scheme as it now stands would not effect any of the reforms expected from it, and I would only repeat in conclusion that, to my mind, the principal object to bear in mind is to increase the prosperity of India by developing and opening up that vast empire, thereby increasing her capacity for exporting. It should not be forgotten either that the policy of closing the mints has, perhaps, hardly had a fair trial, as during the last three years India has passed through a series of calamities, such as famine, plague, and frontier wars, from the effects of which misfortunes she is only just recovering; and that it is to be hoped she will now enter upon a period of calm and prosperity which will enable her to derive the full benefit from her great natural resources.

7616. I am sure we are exceedingly obliged to you for your paper. I only want to trouble you with two or three questions. First, with reference to those gold bars that you produced to us. Can you give us any idea of the number of those bars that are sent out to India?—I had the accounts made out from the Wood Street Smelting Works of the number of bars made in 1893, which was the year that we purchased it. From 1893 down to the first five months of 1898 we made 5 millions sterling worth of these bars. The first fortnight of June of this year we made 376,000*l.* worth of these bars. The clerk told me the other day that he had not got the figures, but he said there had been a steady increase. I asked him why, and he said it was probably owing to the sudden rise in silver, which is, perhaps, due to a certain extent to the scarcity of silver, and also due to Spain coming in and being a large buyer of silver. I telegraphed out to the two chief smelters of the United States to ask them if they would furnish me with a return of the silver production of this year. This is the answer that I have had: "United States silver production "last year, 56½ million ounces; Mexico, 54 million "ounces;" that is altogether 110 million ounces, and I think you may take it that, with the exception of a very small quantity which was produced in Australia, America and Mexico are the chief silver-producers of the world now. "No statistics this "year; do not anticipate serious change in other "countries; anticipate 2*s.* 10*d.* would not materially "increase production in Mexico or States, because in "Mexico the principal items entering into cost are "paid for in silver, and silver produced from bye-"products and high-grade ores in a country will be "produced in any event, and it requires an enormous "quantity of low-grade ores to materially increase "production. I anticipate considerable increase in "production of silver if advanced to 3*s.* 3*d.*"

7617. (*Lord Balfour of Burleigh.*) What does 2*s.* 10*d.* mean?—That is the price per ounce of silver.

7618. (*Chairman.*) What becomes, in your opinion, of those bars when they go to India?—I have asked one of the highest authorities that I know in Indian matters what becomes of them, and he says the majority of them are taken by the Indian bankers as a reserve. I must tell you that some bars do come back from India. It is a very curious thing. It is not the bars that we make that come back, but the bars which are sent from China, which are not smooth, but rough. We have never had a bar back from India of our own manufacture.

7619. The effect of that would be to strengthen the argument of those who hold that gold is hoarded in India?—Yes.

7620. I gather that your opinion, on the whole, is to go on as we are?—Unless you make up your minds gradually to introduce a gold standard and a gold currency together.

7621. You think a gold standard without a gold currency impossible?—I do, and I would go still further. I think if you make up your mind to introduce a gold standard and a gold currency together, you must be prepared on occasions to send gold back to London. I asked on Friday what was the amount of gold that we sent to Russia in 1891–92 for account of the Russian Government. I find that in 1891–92 we sent 8,550,000*l.* of our own gold and 1,500,000*l.* for the Bank of England, but against that in 1890—that was the time of the Baring crisis—the Russian Government sent 1,500,000*l.* of gold to the Bank of England which they lent them, and they sent us 1,500,000*l.* Again, on various occasions, when money has been very tight in Germany, the Russian Government has never hesitated to send gold out of the country, although they were preparing for a gold reserve. If the Indian Government were to make up their minds to go in for a gold standard and a gold currency they must also make up their minds at times to send gold back. They cannot introduce a great change in the Indian currency and say "We do not "care about the money market, that must take care "of itself." They must be prepared to act with a bold hand and to send gold out.

7622. (*Sir F. Mowatt.*) That is to say, there would be a mutual desire for accommodation between London and India?—Yes.

7623. (*Chairman.*) What time do you consider would be sufficient to establish a gold currency in a normal state of affairs?—My idea was that the Indian Government, as a Government, would only have to provide about 20,000,000*l.* of gold, and that, either by preventing the importation of silver, or by putting a heavier duty on it, a certain amount of gold would flow automatically to India, and I would have supposed that it would not have taken India more than two years, if so long. I wrote to Vienna and asked them for particulars of what happened there, and they sent me this paper in German. They raised, I think we may say, 30,000,000*l.* sterling, but they only bought 20,000,000*l.* of gold; and they put a foot-note here showing that it did not take them three years to bring about the change. Now if Austria can do that in three years, India can certainly

do it much more quickly, backed up with the credit of the English Government.

7624. Do you attach supreme importance to there being a stable rate of exchange between India and this country?—It depends what you mean by a stable par of exchange. I do not think, even if you had a gold currency, you could keep the exchange within certain points. Within limits, I think it is always a great advantage to a country having a stable exchange rather than when it fluctuates very widely.

7625. (*Lord Balfour of Burleigh.*) I wish you would explain to my uninitiated mind on what ground you say a gold standard cannot be introduced without also a gold currency in India?—I have tried to find out what is meant by a gold standard, and I have not been able to solve it myself.

7626. One of the few things which I think everybody here has agreed in representing to us is that a gold currency would, in India, be quite useless, because the transactions are so small in amount that even silver is too expensive a medium, and that in fact most of the transactions are in copper. What I understand is meant by a gold standard is this, that people who have large transactions, chiefly export trade with gold-using countries, should be able to exchange gold for rupees and rupees for gold at a previously-announced rate. Now the question I want to put is, why, in your opinion, is that condition of affairs necessarily linked with what you describe as a gold currency?—My experience is that you will never be able to secure what you call a gold standard unless the Government has got the gold coins to give to those who want to export, and not bills.

7627. Undoubtedly, and I think it has been proposed to give gold coins to those who come and ask for them at certain rates. That is the intention?—The moment you establish a machinery for dealing in bills, the doubt arises in the minds of those who are dealing, and the doubt becomes a certainty, that they cannot get gold, and the whole thing always fails.

7628. I put a hypothetical question. I know you think that Mr. Lindsay and Sir James Westland are wrong in the particular methods of working that they suggest, but suppose for a moment that they were right, do you think that their schemes for a gold standard would be then a success or a failure?—I have tried all I can to separate the two things, and I cannot separate them.

7629. I understand you also to take exception to the special figures suggested by Mr, Lindsay—1*s.* $4\frac{1}{16}$*d.* for drawing on India and 1*s.* $3\frac{3}{4}$*d.* the other way—on account of what you put to us very lucidly, that that would mean a loss of 2 per cent. in moving the gold back again to this country, after it had been profitably employed for only three months?—Yes.

7630. But do you not think that it might lead to gold going out to India and remaining there longer than the three months, on the ground that although it would not be so profitably employed in the slack season as in the busy time, it would still get a remunerative rate of interest?—I have tried all I know to solve Mr. Lindsay's scheme and Sir James Westland's scheme, and I do not think it would solve the question at all. I think it is simply and purely an artificial thing, and all artificial things always break down. If you were to stop the importation of silver into India now, completely, gold must flow there owing to the balance of trade in favour of India, but any scheme like Mr. Lindsay's scheme is so artificial that it could not last.

7631. Do you apprehend that too much gold would go to India?—No gold would be taken to India under Mr. Lindsay's scheme. You would have exactly the same thing as happened in the case of Brazil and the United States of America. They would begin by raising a loan here. Mr. Lindsay says he does not mind if he raises a loan here of 5 millions, 10 millions, or 15 millions sterling. The Department in India would be a continual drawer on London, and the money they have here would be exhausted very quickly.

7632. I am sure you will not think I am in the least wishing to catch you by a phrase in the question I am going to put to you, but the difficulty you put before us now, viz., that no gold will go to India, is somewhat different from the statement that is given in the second last paragraph of this letter which is very influentially signed, and among the signatures to which I see the name of your firm?—At the time that letter was prepared it was supposed that a loan was going to be raised here. The Lindsay scheme was not gone into at all.

7633. No; but their apprehension is "lest a policy "should be adopted which would involve the raising "of sterling loans here of large and indefinite amount "for remittance in gold to India"?—They did not go into the details at all. The idea when that letter was signed was just as it was in India when the question of bimetallism arose.

7634. Of course we recognise that that is not intended either in the Lindsay scheme or the Government of India scheme?—That was the idea when that letter was signed. I think when that letter was signed they were thinking more of Sir James Westland's scheme than the Lindsay scheme, and Sir James Westland proposes, you will remember, to raise loans of 20 millions and send the gold out and sell the silver. I do not think the signatories to that letter ever thought of the Lindsay scheme.

7635. I want to take it for the moment as much against Mr. Lindsay's scheme as possible?—I think this is Mr. Lindsay's scheme. Five millions or 10 millions to be raised in London, and deposited in the Bank of England or a Gold Standard Office, and against that you would sell rupee drafts at 1*s.* $4\frac{1}{16}$*d.* from the Indian Gold Standard Office. I have read his statement over and over again. Mr. Lindsay's scheme is based on an idea which was proved to be a very fallacious one, that you could so manage the thing that you could continue to draw backwards and forwards without any great loss; it is what would be called in the City kite-flying.

7636. Some people have come here hostile to Mr. Lindsay's scheme, and have stated as an objection to it that the liability to send gold to India would not be limited to the five or ten millions first borrowed, but that it might go on to an indefinite amount, and in that way would do harm to the London market. It is not Mr. Lindsay's idea, but it is a criticism of Mr. Lindsay's scheme by some people who have come here to break it down, and I want to know what you think of that criticism?—I tried to study Mr. Lindsay's scheme, and I have read it over and over again, and I think the chief merit that he puts forward is this: He says capital would flow to India because people would know that they would always get their money home at 1*s.* $3\frac{3}{4}$*d.* Well, if Mr. Lindsay advertised that he was a seller of drafts at 1*s.* $3\frac{3}{4}$*d.*, and that there were no commercial bills offering at that price, people would take their remittances under Mr. Lindsay's scheme.

7637. What would be the result of that?—The result would be that after the 5,000,000*l.* were exhausted, people would have to rely on the ordinary trade bills.

7638. Then you do think that the 5,000,000*l.* would be exhausted, and it would go to India?—I do not say that the money would go to India. The Indian Government would borrow a large amount of money here, say, 5,000,000*l.*, and that would enable those who send out gold to India always to get remittances at 1*s.* $3\frac{3}{4}$*d.*, and they would take advantage of it.

7639. Do you care to say whether any modification of Mr. Lindsay's scheme would get rid of your objection to it?—I said that Mr. Lindsay was the first person who recognised and recognised publicly, that the moment you close the mints, and you stop what I call free trade in currency—the automatic flow of currency to that country—Government has to do something; but as to saying that anything artificial of that kind is a permanent cure for the evil, I contend that it is not.

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7640. Do you think that if the operation was spread over a period of years, any detriment would ensue to the London money market and to London interests by the transference of 10, 12, or 15 millions of gold to India?—No, not in the slightest. Mr. Hambro will tell you that we sent 6,000,000*l.* of gold to the United States in six months, and no one knew anything about it.

7641. (*Sir F. Mowatt.*) Did I understand you to say, speaking of the importation of gold in these bars into India, that they in any way got into the currency?—I began by saying that I had not been to India myself, and so I do not know it, but I am told that these bars do represent currency to a certain extent. How far the silver bars represent currency, and how far they are turned into jewellery, I cannot tell you.

7642. The broad fact remains that since the closing of the mints, between 4,000,000*l.* and 5,000,000*l.* sterling worth of silver have gone every year to India?—The total consumption of silver by India and China and the Eastern States, since the closing of the mints, has been 75,000,000 ounces, if we take silver at 24*d.* the ounce.

7643. When you say that it is essential to the establishment of a gold standard that silver should be practically prohibited, that means that it would otherwise get into the currency?—Yes.

7644. And if, as we have been assured here by those who are best qualified to speak for India, silver does not get into the currency that would so far remove the objection, would it not?—Yes.

7645. I think you told us that the great element of failure in Mr. Lindsay's proposal was that it would practically cost the capitalist 2 per cent. to send out his money and get it back for a mere increase of interest for three or four months, but might not he think it worth his while to send his money out, not for three or four months, but for so many months that he might catch the two busy seasons at the rate of 10 or 12 per cent., and get 5 or 6 per cent. during the interval, and still only pay 2 per cent. for the entire period, which would apparently leave him a considerable profit?—Now you are entering into a very big question. I do not, myself, believe in the automatic flow of capital from one country to another in such a period as a year. I think you will find that capital leaves one country for another for a short period. When you talk of lending money for a year, I do not think it is the high rate of interest that tempts people. I think capital will flow to India for private enterprises if enterprises are presented to the investor and he thinks that he can make a permanent profit out of them. When you talk of coming to the relief of the money market, that will only be for a short period.

7646. But would not the instance I have put to you be very tempting to the investor. Take 12 months—during eight months of which he gets 12 per cent. interest, and during four months of which he gets 6 per cent.; that is as compared with 2¼ per cent. in this country, and it only costing him 2 per cent. on the entire operation. Would not that be tempting to him?—I do not think so, considering the risk he would run.

7647. But there would be no risk?—It is not the risk of exchange merely, it is the risk of the security.

7648. Now you say that 2 per cent. is prohibitive, but it is not of the essence of Mr. Lindsay's scheme that the margin should be so wide as that. He suggests that sum, but supposing the margin were reduced to, say, 1 per cent.?—I do not know what the essence of Mr. Lindsay's scheme is, but I had a large number of critieisms of Mr. Lindsay's scheme sent to me from India, and they seemed to think that the margin was not sufficient. When I read that I was rather astonished.

7649. (*Sir J. Muir.*) You are aware, I have no doubt, that the merchants of India, both importers and exporters, are exceedingly irritated at present on account of the high rates that they have had to pay for money, 10 and 12 and 13 per cent. in the Presidency towns, Calcutta, Madras, and Bombay, and in Bombay we had evidence that native merchants who hold Government paper went to the manager of the bank and pressed for money. They had been refused at 13 per cent., and they said, "Here is Government "paper; we must have so many lakhs of rupees, for "which we will pay you any rate of interest you "choose to ask us up to 18 per cent.," and the answer was, "I would most willingly help you, but it is not "in my power to do so." Now, suppose such a state of matters were brought about in the City of London, that is to say, that through what Mr. Raphael called the arbitrary and despotic action of the Government, London merchants had to pay anything like 12 per cent. for money, what would be the effect?—I do not know whether I understand your question correctly. You begin by stating that in Bombay and Calcutta and Madras it was impossible to get money on Government security under 15 or 18 per cent.

7650. Not even at 18 per cent.?—And that that, according to the native mind (and in natives I include Englishmen in India as well as native Indians proper), was owing to the despotic action of the Indian Government. I understand that you ask me my opinion upon that point.

7651. Yes?—The matter is rather complicated. If money were at 15 or 18 per cent. here the Bank of England would probably go to the Government and ask to be allowed to suspend its charter, and in that way they would make money easy. But the circumstance you have quoted is, I think, the strongest evidence that you could possibly have against the Lindsay scheme, because if Bombay had been in any other country, and money on rupee stock had been 15 or 18 per cent.—suppose it had been America as America was when they had a financial crisis, or suppose it had been Austria, the rupee stock would have been shipped to London, and they would have drawn against it, as the American shipped all kinds of securities here in one of their financial panics; they drew against it and gold was sent out. At the present moment there would have been no difficulty in doing that, because they could have got any money they liked on the rupee stock—40 or 50 per cent. of its value—and they would have relieved the market. The statement you make of the impossibility of finding money against rupee stock has always been in my mind the strongest argument against any scheme like that of Mr. Lindsay.

7652. Not only that, but we were informed that while this is the state of matters there are large amounts in rupees hoarded—laid up by the Government in the Treasury in Calcutta and elsewhere, and that the Government refused to let the rupees out?—I have always thought that the policy of promoting stringency of the money market in order to affect exchange was a wrong one. That is one of the great reasons why I think Sir James Westland's scheme perfectly impracticable, and why to a certain extent the Lindsay scheme would be so too, because you would have ultimately to melt down rupees.

7653. Then you disapprove of the policy of Sir James Westland and the Government of India in trying to force up the rate of exchange, and in so doing to force up the rate of interest upon all the merchants of India?—You ask me whether I disapprove of forcing up the rate of exchange by increasing the stringency of the money market. I certainly do disapprove of it.

7654. I may state that merchants all over India, both exporters and importers, are looking for even a worse state of matters in the coming busy export season. That being so you would more emphatically disapprove of any policy which would lead to such a result?—Certainly.

7655. I was very pleased indeed to have your emphatic opinion (because we have had different views stated by two or three witnesses) that you approve of the magnitude of exports from India being largely increased so as to make as big a balance as possible in favour of India?—Yes.

7656. We had one or two witnesses who were more or less representing the Government of India, who would not assent to that principle, although it seems to me to lie at the foundation of all economy and business. I have nothing further to ask you.

7657. (*Sir D. Barbour.*) May I ask one question about Indian railways. I will not go into the matter at any length. Are you aware of any company which has made a railway in India under agreement with the Government, the shares of which are not now at a premium?—Certainly; I am aware of one.

7658. Which is that?—The line we made in Bengal; the Bengal Central, I think.

7659. That is, quite opposed to my information. Do you mean to say that the shares of the Bengal Central are not now at a premium?—They are at a tremendous discount.

7660. My question is, do you know of any railway in India, made by an Indian company, the shares of which are not now at a premium?—I do not think that that is a fair way of putting it. The Bengal Central Railway shares are not at a premium because ——

7661. At this moment?—The line was re-organised, and there was a great loss written off the share capital.

7662. But you cannot say that there is any company which has made a railway in India under agreement with the Government, the shares of which are not now at a premium?—I know that the Bengal Central was re-organised, and the loss was written off, but I forget now how that was done.

7663. My recollection is that the reorganisation took the form of a guarantee from the Government, and that at the present moment the shares of that railway are at a premium?—Yes.

7664. But can you say positively that a portion of that capital was written off?—Yes, a portion of the capital was written off. I remember perfectly that a large portion of it was written off. I cannot tell you exactly whether a portion of the capital was written off, or whether the Indian Government at the time said that they would not call up the capital, which would come to the same thing.

7665. When you come to read over your proof, perhaps you will insert in your answer what you find to be the actual facts of the case?—Very good.*

7666. Did you say that you thought that the closing of the mints had increased the tendency to hoard gold?—I think so, and silver too.

7667. I would like to keep to gold for the moment. If you look through the figures for the last 15 years you will not find any great increase, I think, in the net imports of gold?—Taking gold and silver together, I do not say that there has been a net increase, but there has been decidedly more hoarded.

7668. Do the figures show a marked tendency to the import of gold since the mints were closed?—I did not say there had been a large increase of imports.

7669. Has there been a large increase in the imports of silver?—You had 32 millions in 1890–91, and you have 44 millions now.

7670. And the year before?—The year before you had 25 millions.

7671. Do you find there has been, on the whole, a great increase?—I did not say a great increase, I said an increase.

7672. Has there been an increase?—Yes, there has been an increase.

7673. Now have you considered the fact that gold in India may be largely in the form of ornaments?—That I do not know; I have not been in India.

7674. If it were in the form of ornaments it would be less likely to be sent to the mints to be coined if there was a gold standard in India?—I could not tell you if it is to any extent in the form of ornaments or not. I know that they wear silver bangles, and they could always take them to be coined when the mints were opened.

7675. When the gold is put into ornaments the workmanship is worth something, and that would be lost to them if they melted down the gold ornaments to make coins?—I do not know that it is put at all into the form of coins. I have been told that it is not.

7676. Now you said that these gold bars were kept as a reserve by the Indian bankers?—Yes, I have been told so.

7677. Do you mean that all the bars sent out have been kept as a reserve?—I cannot say.

7678. Would you expect them to go on taking bars year after year, simply to increase the reserve year after year?—Yes. Here in England nobody keeps any reserve of gold or silver. You carry on the largest business in the world with the smallest reserve of gold or silver. If you go to Brussels, or Frankfort, or Berlin at the present moment, you see in the streets some official in a cart drawn by a dog, taking gold and silver from one bank to another, or from one shop to another. You cannot compare any two countries.

7679. I have no doubt that gold bars are kept as a reserve to a certain extent, but is that within your own personal knowledge?—No, as I said, I have no knowledge of India myself.

7680. The bars that you send out are pure?—Perfectly pure.

7681. I do not know whether you are aware that the native of India prefers pure gold for ornaments?—I do not know that.

7682. (*Sir A. Dent.*) I want to ask you about the secrecy that you suggest is necessary to carry out successfully any gold operations in India. You tell us that an attempt to start a large bank in Brazil was a failure, and that an attempt to do something of the same sort in the United States in 1830 was also a failure?—Those two banks were failures—the United States bank failed afterwards—but I was speaking of regulating the exchange by drafts backwards and forwards.

7683. Then you would not advocate any large national bank being started in India?—There are two distinct questions. It may be necessary in the interests of India to have a bank like the Bank of England. That is for internal purposes. That I know nothing about. I am not an Indian authority. But what I say is that any bank which is started for regulating the exchange, drawing on London and being drawn against, would be a failure and would lead to disastrous results.

7684. Then you also, I think, suggested that it would be very difficult for the Government of India to attract gold to the country, unless they did it by some quiet process?—Naturally; anybody who has been in business knows that you can buy any quantity of gold or silver if you are a business man, and if the Government fails to do it they employ business people to do it for them.

7685. (*Mr. Holland.*) You tell us that under Mr. Lindsay's scheme no gold would go to India?—I do not think it would.

7686. Perhaps you would admit that a policy which would not take gold to India would be one which would have no terrors for Lombard Street?—Personally I do not dread the efflux of gold; I should not like to see the Indian Government, or any other Government, go to the Bank of England and taking out 5 or 6 millions; but you must remember that every week you have very nearly half a million of gold arriving from Africa and from other places besides, and that, if the Indian Government does not buy, somebody else does.

7687. You dislike the idea of melting down rupees in order to remove a supposed redundancy of currency?—Money is frightfully scarce there, and I do not know how you are to deal with the rupees when you have melted them down. You can sell them to China and other silver-using countries, but what is the good of that?

* [*Note by witness*:—I believe the Indian Government increased the amount of the guarantee. The fact that certain Indian securities have risen in value does not affect my argument that when Indian securities are offered to the public, there is little or no desire to meet the wishes of the public.]

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7688. Do you think it likely that there can be anything like redundancy whilst the money market is in such a state of stringency?—In any European country of course that would be impossible.

7689. You tell us that Sir James Westland's scheme, in your opinion, is impossible, and that Mr. Lindsay's scheme would not effect its object. Have you considered at all Mr. Probyn's scheme?—No, not at all.

7690. That involves a gold standard—not with a gold currency, but with gold bars?—I have not studied that.

7691. You tell us that you dislike very much artificial proposals in connexion with currency matters?—Yes.

7692. Do not you think that when the mints were closed in 1893 that was taking a long step towards artificiality?—No doubt it was, but the Indian Government had no other resource open to them. They could not put on taxes, and this was the smallest of evils open to them.

7693. You thought it was wise at the time?—I did not see what else they could do.

7694. But do you still think, in the light of subsequent experience, that it was a wise course for the Government to take?—I think if they had not fixed the limit of exchange at 1*s.* 4*d.*, and had been prepared to come to the relief of the market when there was stringency, and had not tried to influence exchange by making money dear, it would have been wise.

7695. You admit, do you not, that in order to make a gold standard effective convertibility is essential?—Quite.

7696. Convertibility from gold into silver, and also from silver into gold?—Yes.

7697. You also know that the Government of India do not propose, at present, to have convertibility from silver into gold?—Yes.

7698. And that you consider a very radical defect in their proposals?—Yes.

7699. (*Mr. Campbell.*) You expressed the opinion that it might take 18 millions or 20 millions of gold to establish a gold currency?—Yes.

7700. Would you propose to acquire that by borrowing, or by the natural operations of trade?—The Indian Government would have to borrow 18 or 20 millions of gold in order to get their gold for their treasury, just the same as other Governments have had to borrow.

7701. But if they could get it by trade balances ——?—They could not get it in any other way except by borrowing. They would require that in addition to the trade balances, because they would have 18 millions or 20 millions of gold notes out. I do not know the exact amount, but I take it at 20 millions.

7702. That would be if convertibility were declared right away?—I started on the assumption that the Indian Government had 20 millions of notes out, and that they would have to borrow a sufficient amount of gold so that the notes that they had out should always be convertible into gold. They would then use their silver for fractional currency, and the balance of trade would then supply India with the other amount which she would want if they adopted a gold standard. That is what I started with.

7703. Then you would not approve of deferring convertibility until gold had accumulated gradually?—I did not say that you would get the whole 20 millions in one year. You might get it in 18 months or two years, or three years; but when they had the gold for the notes that they had issued, the whole scheme would become effective. I know Sir Edgar Vincent thinks that you have only to declare that sovereigns are legal tender at a certain rate, and do nothing more. He says that is what he did in Egypt; but I do not think the two cases are at all analogous.

7704. You think it is most important in the interests of India that everything should be done to increase the volume of her exports and the balance of trade?—Yes, you will have seen that in America. You cannot get over the fact that twice in ten years they had a financial crisis, and that the moment the exports became so great, gold went into the country, and not only gold, but they bought a great portion of their own securities back.

7705. You said you thought that it would be desirable to raise the ratio higher than 1*s.* 4*d.*?—I thought that if you could raise the ratio higher than 1*s.* 4*d.* the Indian Government would save money which would repay them, but I am not sufficiently acquainted with India to know if that is possible.

7706. Have you considered the effect that that might have on the export trade? A rise from 1*s.* 4*d.* to 1*s.* 6*d.*, supposing the sterling price of produce remained unchanged, would mean a fall in the rupee price?—I know that is an argument which has been continually put forward, and I think if you look at the figures which the Indian Government gave you, you will find that the largest export of wheat was in 1893 when the rupee was at 1*s.* 6*d.*

7707. (*Sir. D. Barbour.*) It was in 1891, I think that the exchange was 1*s.* 6*d.*?—At any rate the largest export of wheat you ever had from India was when exchange was 1*s.* 6*d.*

7708. (*Mr. Campbell.*) Exchange, of course, is not the only factor in the business?—Oh, no.

7709. There is the question of seasons, crops, prices, and so on?—I mean I do not think you could argue on trade only; it depends on a great many other circumstances.

7710. Then you contemplate also that when the gold standard was established, gold might have to come home as well as to go out at a certain time?—Certainly.

7711. That would be acted upon by trade, in the same way that gold might go there to a large extent in one season and come away in another season?—I do not think you could have a gold standard and a gold currency unless you make up your mind that gold must go out sometimes.

7712. (*Mr. Hambro.*) Is it not the fact that dealers in money, or the people who move capital about from one spot to another, very rarely employ their money for more than three months at a time?—That is quite so. I have already said so.

7713. Your great idea is that the export trade is the great thing to be cultivated?—Yes.

7714. That would be most likely to increase, would it not, if more capital went into the country?—I do not know India. I do not think you can ask me a question of that kind when I do not know India at all.

7715. There is a great deal of uncultivated land there, is there not?—That I do not know.

7716. But I am stating that to you; there is a good deal of uncultivated land in India, and you have suggested that tobacco could be grown?—Yes.

7717. That would require capital in order to be grown to any extent; I mean if capital could go there to increase production that would be a good thing?—No doubt it would.

7718. Do you not think it would be most likely to go out if the rate of exchange was more stable, as it would be with a gold standard, for instance?—My personal idea is that capital will flow to any country if you can show a great profit for the capital. If you cannot show a profit the capital does not go.

7719. You do not think that the exchange being fairly permanent would be far more likely to take capital there?—As a matter of course, if you are going to have a state of affairs where the exchange is likely to continue falling on account of the depreciation of silver that will affect the country very adversely, but minor fluctuations would not affect the influx of capital if you were to show a large profit.

7720. Do you not think that everybody who has the moving about of capital would be much more likely to bring capital to India if he saw that there was actual gold in India than if he was only told that

he could buy bills on London?—I think that no bill scheme, if I may use the expression, like Mr. Lindsay's, will have any effect on people's minds.

7721. And confidence is the thing that you really want?—I do not think that any bill scheme would bring about confidence.

7722. And confidence is the thing that would take capital there?—Yes.

7723. Suppose you went on to a real gold currency, do you think it would be more easy for the internal arrangements of that currency to be properly looked after by a bank like the bank of England, or the Bank of France, or the Bank of Germany, rather than by the Government?—The internal arrangement of the currency is always better looked after by a bank than by a Government. The best proof you have of that is in the case of America, where the tendency arose twice to mix up the measure of the currency with the wants of the Treasury. The accounts were not kept sufficiently distinct. A bank would know that they were under the necessity of redeeming their notes in gold or silver, and they would keep the money market easy. In fact, a bank would never have allowed the stringency in the money market to arise as it did the other day in India, because they thought they could not convert their notes.

7724. I think America is a very good example, because although the law of America prescribes that one dollar shall be equal to another dollar, yet confidence has not always entirely been reposed on that statement?—I do not understand that question.

7725. In America the law states that one dollar shall be kept equal to another dollar; that the silver dollar shall be as good as the gold dollar?—I do not think anybody knows exactly what the American law does say. I do not think that the law is that the gold dollar is equal to the silver dollar.

7726. What I wanted to put was this, that as soon as the gold did disappear from the American Treasury, people lost to a certain extent their confidence in the power of America to maintain the par of exchange, and therefore visible gold is necessary?—The Government considered that they had sufficient gold to redeem their bank notes, and I can only suppose that they had to use that gold for Government purposes; but circumstances arose when there was no gold there and no notes, and therefore they had to make a loan.

7727. The moment the visible supply of gold disappeared the people lost confidence. You will not get confidence unless you have the gold there?—Certainly not.

(*Sir F. Mowatt.*) I should just like to understand that last answer. When you say unless you have gold there, do you distinguish between gold lodged in India and gold lodged in London?

(*Mr. Hambro.*) I distinguish between currency and standard.

7728. I do not know whether you thought that Customs duties ought to be payable in gold or not?—I did not go into that at all. I simply pointed out that at one time the Russian Government and the American Government did get a stock of gold by making their Customs duties payable in gold, but I personally did not advocate anything of that kind for India, because I do not pretend to know anything about it.

7729. (*Mr. Le Marchant.*) If such measures as you were describing for the introduction of a gold currency were adopted and it seemed likely that say, three years would be taken to establish the system, do you think that public confidence would be so far gained as to prevent stringency and very high discount rates in the interval? Do you think that capital would be attracted during that time into India so as to counteract the pressure for money?—You are raising a very big question there. You have had very great stringency in the money market in this country, and yet you cannot say that there is no confidence in the currency here. It is very difficult when you do not know India, or when you have not all the facts before you, to distinguish exactly.

7730. There would be no necessary connexion between a rate of exchange of, say, 1*s.* 4*d.*, and a high rate of discount?—I do not think so.

7731. If the gold standard and currency were established, do you think that would assist the construction of railways and the opening up of the country?—No, I do not say that the gold standard and gold currency would assist the construction of railways; but I think a gold standard and a gold currency would bring about what I call free trade in currency. As far as I understand the question, the natives (and in the word "native" I include real natives and the Europeans there) complain that the present arrangement brings about a false stringency in the money market which is injurious to India. I think that is the great complaint they have made, and they say that the dearness of money is destroying their trade. One of the chief objects that this Committee has is to find a remedy for that state of affairs. I say you cannot reopen the mints to the free coinage of silver; you are not prepared to go in for bimetallism, and therefore nothing remains for you in reality but to have a gold standard and a gold currency pure and simple. My opinion is that what is called a gold standard, regulated by bills, would not bring about an ease in the money market.

7732. Speaking generally, ease in the money market would contribute to the introduction of capital, would it not, and the general development of enterprise?—Certainly.

7733. And would that, in your opinion, lead to development of exports?—I have no doubt it would.

7734. Trade generally would follow that lead?—Yes.

7735. I think you were speaking of making the Government note issue convertible into gold; would you propose to limit the issue of notes, as the greenback issue, for instance, is limited by an Act?—What I understand to be the present position of India is this. The Indian Government has 20,000,000*l.* of notes in circulation; I should propose that there should be gold held in reserve against those notes, and that afterwards anybody who chose to send gold into the new Indian Bank or new Indian Treasury could get notes too.

7736. Under the existing regulations the public can claim that notes shall be issued to them against payment of rupees. So long as that option is open to them, would they not be able to convert rupees into gold without limit?—As a matter of course, if you introduce a gold standard and gold currency, you would have to stop that option.

7737. You would impose a limit in that way?—Yes.

7738. If such a bank as you alluded to were to be established, would it not be essential that it should have wide business relations with the country? If it were confined to a limited scope of operations, would it be in sufficient business touch with the community to exercise influence on currency and exchange?—I do not pretend to know sufficient of the circumstances of India to be able to say what would be necessary. All the European banks have a large business besides the currency, and I do not know how far that would be necessary in India. I have not sufficient knowledge of it to say.

7739. In the absence of extensive independent business relations, would it not partake of the nature of a Government office?—I am not sufficiently well acquainted with Indian circumstances to give an answer to that.

7740. (*Sir J. Muir.*) If I understand aright you stated that you approved of the closing of the mints, provided the Indian Government could not raise the necessary funds otherwise by increased taxation?—Yes.

7741. But if it could be proved that that was possible, then would that alter your opinion?—Well, I have always been told it is impossible.

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7742. A great many of the merchants of India think it is possible. Supposing they are right, would that alter your view?—That is not a point on which I would like to give an opinion. I have always heard from high authorities that it is impossible, and I am obliged to believe them.

7743. (*Chairman.*) Is there anything that you would like to add that has not been asked you?—No.

The witness withdrew.

SIR FRANK FORBES ADAM, C.I.E., called and examined.

Sir F. F. Adam, C.I.E.

7744. (*Lord Balfour of Burleigh.*) You are, I understand, a partner in a firm doing a large business with India in exports from this country?—That is so.

7745. Those exports are mainly textile?—Yes.

7746. You were resident in India for 18 years from 1872, and have been resident in Manchester since that time?—Yes.

7747. You come to state your own opinions and those of the Manchester Chamber of Commerce, so far as they are in keeping with a resolution passed by the board of directors of the chamber on the 8th June 1898?—Yes.

7748. That resolution is this: "That it is neither "possible nor expedient to establish a gold standard "with a gold currency in India under the peculiar "external financial relations and economic circum-"stances of the dependency. And that in the opinion "of the chamber it would be well in the interests of "India to adopt the principle that the mints should "be reopened to the coinage of silver, the time and "conditions to be hereafter determined"?—That is the resolution.

7749. And that is the expression of opinion of the Manchester Chamber of Commerce with which you associate yourself?—Yes.

7750. Now in the first instance were you opposed to the closing of the mints in 1893?—I gave evidence before Lord Herschell's Committee for the purpose of showing that, in my opinion, the necessity had not been proved.

7751. Were you, or were you not, opposed to the closing of the mints in 1893?—I was opposed.

7752. Would you give us your reasons?—My reasons at that time were, first, that the necessity for closing the mints hand not been shown; secondly, that to close the mints to the free coinage of silver and not to introduce in its place a gold standard with an effective gold currency would prove a failure; that by divorcing the price of the rupee from the silver it contains, the export trade of India would be handicapped in the progress of years; although it might take some years to show it, in the progress of years it would certainly be handicapped in competition with other silver-using countries, which had the benefit of cheap silver. As far as I remember, those amongst others were the reasons that I gave to the Herschell Committee.

7753. Is there any other reason?—I am speaking from recollection, but I think I also pointed out that India had benefited, and had been more prosperous under a low rupee, and that if the mints were closed to the free coinage of silver, and the balance of trade did not turn sufficiently in favour of India to lead people to tender gold to the Treasury for which they were to receive 15 rupees per sovereign, in that case stringency of money would gradually arise, which would prove prejudicial to the export trade of India, upon which the Government of India would chiefly rely for maintaining a fixed par of exchange at 1*s.* 4*d.*

7754. Have the expectations of the Government of India, upon which they closed the mints, been realised?—I think the Government of India have been disappointed in their expectations. I understand that at the time of the closing of the mints in 1893, it was expected that the exchange value of the rupee would at once be raised to 1*s.* 4*d.* and remain there steadily; that gold would be tendered by the public in exchange for rupees at the rate of 15 to the sovereign, till in the currency reserve gold became substituted for rupees; that then, as more sovereigns were tendered to pay for a favourable balance of trade, Government would buy silver in the open market, coin rupees therewith, and pay them out in exchange for sovereigns at the rate of 15 to 1. In this way autonomy was to be reached, stability won, and a regular supply of currency eventually secured. The result has been a disappointment. The rupee has not been raised to 1*s.* 4*d.* in the way anticipated, stability has not been won. No gold to speak of has been offered in exchange for rupees. But a contraction of the currency has created a gradually intensifying stringency in the Indian money markets that has caused widespread dissatisfaction and produced a condition of things that is pronounced in both European and native mercantile opinion to be intolerable and unbearable.

7755. As a matter of fact the rupee for a certain interval of time has been very near 1*s.* 4*d.*?—The rupee has touched 1*s.* 4*d.* lately, and again gone back; but I am speaking over five years, and for three of those years the rupee was very low. A year ago it commenced to advance, and six months ago it reached 1*s.* 4*d.*, and rather over. Since then it has again declined.

7756. Do you think capital was being remitted home from India before 1893?—I think there always has been a certain amount of capital remitted home from India, and always will be, for the reason that a great number of men who go out in various capacities to India, either as Government servants or otherwise, invest their savings in India very often while they are there, but when they return to this country they prefer to bring with them what savings they have and invest them in securities that they can watch more easily than they could at so great a distance as in India. I think there may have been also, with regard to banking institutions and mercantile firms, a transfer of accounts. That is to say, that banks and merchants who may have held their money in India may have transferred it after the mints were closed.

7757. But my question was before 1893?—I do not think there was any great transference.

7758. Do you think it has been transferred since 1893?—Yes, in account. I should like to explain that if I may. Of course, if you have money in this country under closed mints on deposit, and you wish to transfer it to India, you must buy commodities if the rate of exchange is not at a price which would enable you to send gold and receive rupees from the currency reserve in India. If you buy commodities, and when they arrive in India you sell them and receive rupees already in circulation, you take those rupees either from a deposit already existing in a bank and transfer it into your name, or you take them from the open circulation, in which case you reduce the accommodation which may be required by the man to whom you pay them over in exchange for your produce, but you do not add in any way to the active and effective circulation.

7759. I need not ask you, I suppose, this question: You are not satisfied with the present state of affairs?—No, I think the present position of affairs is working towards a state of matters which will prove very serious to the prosperity of India.

7760. Are you able to say whether Indian discount rates have been higher since 1893 than they ever were before?—I think, undoubtedly, they have been very much higher during this last two years than they were for a long period before. I am speaking from recollection now, but it must be 20 years ago—I am sorry I cannot give you the year—when for a short time the rates were high, but I think myself that never before, at least, not in the memory of any of us, have the rates of money continued so high as they have been during the last six months, and for a part of

1897. I think on the average they were higher in 1896 than in 1894; higher in 1897 than in 1896, and higher up till now (the average I mean) in 1898 than in 1897.

7761. I suppose that you are familiar with the circumstances of 1889-90?—I was in India in 1889.

7762. The maximum rate in both those two years was very high in each case in the early spring?—Yes, for a month or two the rates were high.

7763. And again in 1894?—Yes, for short periods. I dare say you have already had evidence before you that in India we have an active export season, and a slack season, and for a certain number of months the value of money of course rises.

7764. I imagine the point you want to establish is that the closing of the mints has made the rates go up higher than they have ever gone before, and higher than they would have gone except for the closing of the mints?—I did not want to establish that they had gone up higher than they had ever gone before, though I think that is the case. What I wanted to establish was that the stringency had lasted very much longer than it ever did before, and that trade had suffered in consequence.

7765. And is it your position that that is entirely due to the action of the Government, or do you think there are any other circumstances which contributed to it?—My opinion is that practically it is the result of the closing of the mints to the free coinage of silver. My reason for saying that is this. So far as regards capital going for temporary purposes to India, that is, when rates are low here and high in India, I do not think that we have ever had any experience of that in India. They have been high for three months or more—very much higher than in London—and we have never had any experience of money being sent out for those three months, although under the exchange bank arrangements it was perfectly possible for anyone sending out money to arrange with a certain loss to cover the return of that money after it had been employed at a high rate for some months. It is proof to my mind that stringency has been caused partly by the closing of the mints, if not entirely, that while the tightness only lasted in previous years for a short time, in the last few years it has been very much prolonged and intensified.

7766. I understand from your paper, not only that you are dissatisfied with the present state of affairs, but that you dislike the proposals of the Indian Government to remedy that state of affairs?—Following on what I have already said, that the stringency is regarded generally in India as unbearable, if the Government of India for the purpose of removing what they call a redundancy of rupees desire to increase that stringency, I think it will be most disastrous to the trade of India. The proposals of the Government of India will, if given effect to, still further augment money stringency, embarrass and clog the wheels of trade, and thereby prejudice the favourable balance of trade that alone can enable Government to dispose of, annually, their Council bills at or near 1*s.* 4*d.* Secondly, they will fail to promote confidence or attract capital for the development of Indian industries. Thirdly, they will cause a loss in disposing of 10 or 20 crores of rupees as silver, that it is not possible approximately to estimate. And, fourthly, they will increase the difference between the value of the rupee and the value of the silver of which it is composed, thereby further affecting adversely India's competition with countries on a purely silver standard.

7767. Do you consider, in the interest of the trade of India, that a rupee falling in value and cheap silver with open mints would be an advantage to the country?—I think, during the 20 years from 1873 to 1893, when we had with fluctuations steadily falling silver and open mints and a falling exchange, India was exceedingly prosperous.

7768. What is the test of prosperity that you apply?—The exports and imports of the country doubled nearly in those 20 years in value and more than doubled in quantity.

7769. In what respect do you think the trade of India, judged by exports in the first instance, has been prejudically affected since 1893?—That question is a very difficult one to answer specifically. It is hardly susceptible of mathematical demonstration; but if my general principle is right, that exports from India are promoted by a plentiful supply of silver and a low exchange, as I believe they were promoted during these 20 years, then the converse holds true, that stoppage of coinage and a higher artificial exchange must have retarded exports.

7770. Is it a low price of silver or a falling price that you attach importance to?—I think the cheaper India can get her currency the better, and the worse for producers of silver in America and elsewhere; but also there is this disadvantage to India, that if the exchange value of the rupee is higher than the value of silver, then China and other Eastern countries get the benefit of the cheap silver in competition with India.

7771. How low would you like to see the rupee fall for the benefit of Indian trade?—If you were to say to me, "Would you be prepared to advocate the "reopening of the mints if you knew that silver was "going down to the equivalent of 6*d.*"——

7772. You mean till that was the intrinsic value of the rupee?—Yes; I should of course have great hesitation in answering, not because I should be afraid of silver going down to 6*d.* over a great number of years, so long as silver remained the effective standard in India, but because any sudden fall, or a fall over two years, or even three years, would naturally, as India develops slowly, put the Government of India into very serious difficulties in raising revenue to meet their charges.

7773. But would you regard with equanimity a fall to 6*d.*, or anything approaching a fall to 6*d.*, over a long period of years?—I would not fear to face the risk of it if it were spread over a long series of years.

7774. Do you know, supposing such a thing were to happen, what amount of taxation would be involved to enable India to meet her liabilities?—I know it is enormous; but judging from the fact that India was able in the 20 years, from 1873 to 1893, without any great increase of taxation, to pay her way under very difficult circumstances—being in difficulties on a great many sides while exchange fell from 1*s.* 10*d.* to 1*s.* 2*d.*, that is 8*d.*—I think over a long series of years the development of the country would again enable her by various methods, not chiefly by increased taxation, but by the gradual development of all sorts of revenue, to pay the large sums which she would have to pay if the exchange went down even to the neighbourhood of 6*d.*

7775. What is the remedy that you yourself would suggest?—I was not going to suggest any remedy, but may I say this: When you asked me whether I would fear a fall to 6*d.*, my answer might have led you to suppose that I had some apprehension that such a heavy fall is within the bounds of probability, which I think it is not.

7776. I want to know, assuming, as I know you do, that the present state of matters is unsatisfactory, what is the course which you with your experience would like to suggest to the Indian Government?—Speaking to-day as representing the Manchester Chamber of Commerce, and the resolution which you have kindly allowed the Committee to have read to them, I would say that their policy, and what they think it would be best to do, is not to attempt to go any further with artificial experiments, but meantime to let things remain as they are. They believe that within a reasonable period an opportunity will arise, either by the price of silver rising in the market, or by exchange under the present *régime* falling, or partly by both, for the value of silver and the value of exchange to approximate.

7777. What you mean is that the exchange value of the rupee and the intrinsic value of the rupee might

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in the near future approach nearer one another?—Exactly; and they would then wish to see, and I agree with them, the mints reopened to the free coinage of silver.

7778. Do you think the prospects of the silver market and the silver production in the world hold out any hope of that consummation?—I think so. I think the prospects for the increased demands of silver, especially if India were to reopen the mints, are very great indeed.

7779. Do not let us confuse two things. I thought you said the exchange value and the intrinsic value of the rupee might approach nearer together: I think you must take it on that basis?—What I am going to say would still apply to your question. For instance take the case of China, which is gradually waking up from the sleep of centuries and is going evidently to be opened up in all its provinces by the rivalry of European powers very rapidly. I think China will absorb large quantities of silver; and there are other countries also. Already silver is going to Africa: that will be of course much more slowly, but I think we may expect a very considerable change in the course of, say, the next 15 or 20 years.

7780. Let us assume that this consummation does not come about, and the exchange value and the intrinsic value of the rupee do not begin to approximate, how long would you be prepared to wait under the existing state of affairs?—Personally, I believe India should as soon as possible get on to a sound basis and reopen the mints.

7781. When you say India should get on to a sound basis you mean India should reopen the mints?—Reopen the mints and return to what is commonly called the honest rupee. I should explain here that the Manchester Chamber of Commerce, who unanimously passed the resolution your lordship has read, are not of that opinion. They believe that, without fixing any time—it may be one year or two years—a better opportunity will arise for reopening the mints without the dislocation of trade that would occur if the mints were reopened at present, and they would rather wait for that opportunity than that the Government should go on with further experiments which they believe will only aggravate the present difficulty.

7782. In your paper you tell us also that you have studied the Lindsay scheme; you say it is ingenious and carefully thought out, and is preferable to the Government scheme, but you state that you have some objections to it?—The first objection is that it is wrong in principle, being an artificial scheme, and I do not think that anything artificial in the way of a currency scheme can stand the test of time. Secondly, it might break down in the time of stress or under the operation of a specific attack, and therefore it can never command confidence — confidence being essential to the success of any scheme. Thirdly, it provides for convertibility, but under the management of Government, and its so-called autonomy arrives only with success. Fourthly, the liability of Government under it is indefinite. Fifthly, it also contemplates a restriction and, under certain circumstances, the withdrawal of rupees from circulation. Sixthly, it proposes to keep a reserve of gold in London; that seems to me to be a confession that it is not a suitable currency for India.

7783. Almost everybody, as you heard me suggest to Lord Rothschild, tells us that for the active daily transactions of Indian life, gold is not a suitable currency?—It is not suitable.

7784. What are the precise risks of the scheme breaking down which you refer to in your second objection which you have just read to us?—I could imagine certain circumstances arising with regard to the balance of trade between India and this country, and with regard to the price of gold in India and the price of silver in India as commodities, which working together would create at 1*s.* 3¾*d.* such a demand for bills to be paid out of the reserve with the Bank of England as would cause it rapidly, and almost immediately, to disappear.

7785. Where do you think it would go to?—What might happen would be this. The natives of India, who are always on the watch for a profit, and who understand the changes of the markets and the movement of the exchanges in a very remarkable way, would always be on the alert to find an opportunity when they could buy silver in England and sell it in the bazaars, and draw through the Government of India 1*s.* 3¾*d.*, receiving the money to pay for the silver in London.

7786. But it would not be silver, it would be rupees?—No; simply for the open market, for ornaments, and so on, not for currency purposes.

7787. I do not think Mr. Lindsay contemplates exchanging silver; it is rupees that he contemplates exchanging?—But you were asking me under what circumstances I thought that the reserve could be attacked.

7788. What I asked you was what are the precise risks of the scheme breaking down; in other words, what are the circumstances which would prevent the Indian Government being unable to discharge the specific obligation which it undertakes under Mr. Lindsay's scheme?—I quite understand your question, and what I wanted to show was one of the things that might happen; that although it has nothing to do with Mr. Lindsay's scheme, yet the natives of India seeing a large demand in the market for silver, would sell silver which they would buy in London, and they would pay for it in London by buying drafts on the reserve at the Bank of England, which is five millions to begin with, and that would cause that reserve rapidly to disappear.

7789. But the Indian gentleman you are referring to who would indulge in such a speculation would have to pay rupees in silver?—He pays rupees to the Government, and receives gold bills on London.

7790. How would it help him to do that?—He would make a profit on the silver as a mercantile transaction.

7791. Then if that possible danger is guarded against by, for example, a duty on silver, would you still say that there is a difficulty in that respect?—It is very difficult to know how a duty on silver would operate. India is a very large market for silver, and it is quite possible that not at first, but gradually, the price of silver in London might fall to the extent of the duty or the greater part of it; things might equalise themselves in that way. If the Indian demand were entirely withdrawn by a duty which was intended to be prohibitive, and which actually was prohibitive, I think it is likely that silver might fall to a point which might make it quite unsuitable for currency purposes. But I doubt if this is possible. If the duty were not effectively prohibitive, silver would continue to be imported.

7792. Are there any other circumstances under which you think the Indian Government might be unable to fulfil its obligations?—They might treat gold in exactly the same way. There is a demand for gold entirely outside any purposes which we have in contemplation now—simply as a commodity used for ornaments and for the settlement of speculative transactions in gold, such as the bars which you have seen to-day.

7793. Will you just tell us what would be the operation of that?—Precisely the same as what I have been describing with regard to silver. They would buy the gold in London, pay for it with gold bills on the Treasury reserve in London, and sell it for rupees in the open market in India.

7794. What would they have given for these gold bills?—They would have to pay rupees, of course. They would receive gold bills from the Government, and they would pay into the Indian Treasury rupees, and they would draw away the gold from the reserve in London.

7795. What makes you think that they would go on, to any large extent, paying for their gold bills in rupees?—It is impossible to say to what extent it would go. I am only indicating, in answer to your

question, the different ways in which it might be possible to attack the reserve.

7796. But in addition to the theoretical objection as to the scheme breaking down, I wanted to know what you put before us as to the practical difficulty in the way of the scheme?—I have gone into the scheme thoroughly, and I know what labour and pains have been taken to produce it; but I must confess that I fail to see any promise of lastingness in it.

7797. Have you, or have you not, formed any idea of what number of rupees would be sacrificed by those who possess them in India for the purpose of getting gold?—You have had figures before you showing the very large constant demand for gold for India for other than currency purposes. Where that gold goes to is a question that has always been open to considerable difference of opinion.

7798. Granting the demand, do you contend that the Lindsay scheme would supply gold to the native of India cheaper than he can get it in any other way?—I can imagine, at some times of the year, circumstances arising in connexion with trade movements which would lead to the native of India being able to use the facility offered by Government for drawing gold bills on London to an extent that it is quite impossible to estimate; it might be very large indeed.

7799. Could you not make that a little more definite? Just tell us the precise dangers and circumstances to which you allude?—I have answered your question with regard to the definiteness of it both in regard to silver and gold.

7800. But in answer to me just now you said that you could imagine circumstances under which the native of India would be induced to use the Lindsay scheme for getting this gold. I want to know whether you can tell me any more definitely what those circumstances would be?—What I had in my mind was when the actual balance of trade was not in favour of India. Say in the dull seasons, when exports might be slack and imports fairly active, exchange would tend towards 1*s.* 3¾*d.* till it arrives at 1*s.* 3¾*d.*, when it might become a better rate than the native could get in the open market.

7801. Then is it Mr. Lindsay's scheme, root and branch, that you object to, or to the precise figure of 1*s.* 3¾*d.*?—I do not think myself that any rate you could name would give it that element of assured success that any scheme, to work permanently, must possess. My opinion is that the scheme, as presented to us, is such that there is a possibility of failure, and that that possibility of itself would lead to a want of confidence, and that want of confidence alone would put in operation all the adverse factors, and would lead to a break-down, sooner or later, no matter whether it was fixed at 1*s.* 3¾*d.* or at 1*s.* 3*d.* or any other approximate rate.

7802. As far as I understand, you do not yourself advocate the reopening of the mints. I mean in the circumstances in which we now stand?—Are you asking my personal opinion, or are you asking me as representing the Manchester Chamber of Commerce?

7803. I want your opinion?—My own opinion is this, that we will never have a sound currency in India till either the mints are opened or we are on a gold standard with a gold currency; that a gold standard and a gold currency are not suited for the needs and circumstances of India, and therefore that the sooner we get back to open mints and the free coinage of silver the better. But I am bound to admit that if you did it at once or suddenly it would cause dislocation, and for years the Government of India would be sore set to find an equilibrium for their Budgets. Still, so strongly do I feel the importance of getting back to a sound principle with regard to currency, that I personally would be prepared to face that. But I want to be allowed to emphasise the fact that I am expressing my own opinion. The opinion of the Manchester Chamber of Commerce is that the cons outweigh the pros in that respect, and they advocate a temporizing policy.

7804. Have I missed any point in your paper that you would like to lay stress upon?—I have considered what I understand has been a point of some controversy in regard to the importance of a fixed rupee in contra-distinction to a fluctuating rupee. My experience has been that, so far as regards foreign trade, although a fluctuating rupee ——

7805. Do you mean a fluctuating rupee or a fluctuating exchange?—A fluctuating exchange value of the rupee. Although it is exceedingly inconvenient, it has not diminished, over the average of years, the foreign trade of India. We are accustomed to fluctuations in the prices of cotton, cloth, and freights, and all the factors that go to make up a price fluctuate. Exchange since 1873 has fluctuated much more than it did before; and those actively engaged in business have had to take that into consideration, and it has been an inconvenience—nothing more. That is a point I should like to put before the Committee. Of course, if they got a stable rupee it would be more comfortable no doubt, but I think it might be bought too dearly.

7806. Is there any other point you wish to emphasise?—I wish also to refer to the fact of the low rupee having been a benefit to India from the producing point of view. That is also a point which is greatly controverted. You very often see it stated that exchange means nothing, that it is only a medium; and that if in India exchange falls, the producer cannot possibly be benefited: at whose expense, it is asked, is he benefited? I think that all men who are engaged in the foreign trade of India have found that while the rupee was falling, and prices in gold were falling, producers in this country, and in gold-standard countries, were suffering to such an extent that the landlords had to reduce their rents 40 and 50 per cent., yet, owing to the price of silver falling simultaneously—silver remaining a stable standard in India—and owing to the greater number of rupees that producers therefore received in India they did not suffer during the fall of gold prices; they were prosperous.

7807. Is it your opinion that the number of rupees that the actual wage-earner receives increased, or was it the middleman—the trader—that got the benefit?—I think, if you call the merchant a middleman, he gets no benefit, because he has simply, at a higher or lower rupee, to conduct his business on the factors of prices as they exist, and he has exchange as one of the factors in making his calculations, and the competition and higgling of the market forces him to conduct his business regularly on very small profits. When you come to the middleman in India, the man between the cultivator and the European shipper at the ports, you find his business is conducted in precisely the same way; a low or a high rupee is a very small matter to him unless he is a speculator. I am speaking of the way in which merchants legitimately conduct a mercantile business. I maintain that the money does go into the hands of the cultivator. If you take the ordinary wage-earner—I have no doubt there are gentlemen round this table who will correct me if I am wrong—I remember going into this in India, and I came to the conclusion that among the cultivating classes—and you know that out of the 300,000,000 of the population of India, 60 or 70 per cent. are more or less connected with the soil—of these 70 per cent. one-fourth only are wage-earners in the true sense of the term, and the other three-fourths are actual cultivators of the soil. The cultivators themselves receive the increase and are able to extend their cultivation, and to buy more Manchester goods. The wage earners benefit very slowly, if at all.

7808. Is there any other point that you wish to emphasise?—There is the third point which I make in regard to India being a country that is absolutely dependent upon her exports and the extension of her exports and the success of her exports for paying her way.

7809. But does India differ from any other country in that respect?—I hope not; but in this controversy

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occasionally I have seen it stated that too much was made of the exports, and the Government of India appear to be of that way of thinking.

7810. Is there any other point you would like to emphasise?—I regarded the closing of the mints in 1893 as a mistake at the time. The necessity was not proved. India was, and had been, prosperous. The foreign trade had year by year increased. Industrial enterprise, largely based on capital supplied by England, had extended. Internal resources had developed. Taxation had only been slightly added to. Loans for other than reproductive works had been comparatively small. Yet Government—notwithstanding famine, war, annexation of Upper Burmah and its settlement, coast defences, new arms of precision, frontier and famine railways, and much unusual and, so to speak, non-recurrent unproductive expenditure—had paid its way, while the exchange value of the rupee was falling from 1*s.* 10½*d.* to 1*s.* 2*d.* Government might safely have braved a further fall. I admit the great apparent direct loss to Government, and the difficulty and perplexity that must have worried finance Ministers in fashioning their Budgets. But these are not unmixed evils, they generate care and economy and a watchfulness over expenditure which, when it is not for reproductive works, cannot be too closely scrutinised. And weighed against the general welfare of the country they are nothing. It is probable that silver, if the mints had not been closed, would not have fallen so low in price, measured in gold, as it has done. But no doubt great economy in expenditure and some additional taxation would have been necessary. Fresh taxation is, and always has been, a difficult and anxious question, but never fraught with the danger some would have us believe. If judiciously done, and all religious prejudices and social customs kept in mind, there is still room. Dissatisfaction and widespread discontent are much more likely to arise from contraction of currency and a strangled trade and from silver bullion held in India not being mintable, than from carefully thought-out methods of raising revenue by fresh taxation. To reopen mints suddenly would cause, under present conditions, great temporary dislocation of trade. My own opinion is that it would be better to face this—short and sharp it would be—and get back to sound principles and an honest rupee by the quickest and directest route. But this is not generally held. It is thought by a temporary policy (no further experiments) an opportunity may come when, by a rise in silver, or a fall in exchange, or by both, a more favourable chance may before very long present itself for reopening the mints to the free coinage of silver without any material upsetting. The prospects of silver point to early extended use in Asia and Africa, and an improvement—slow, perhaps, and very gradual, but sure—in value. And were India to show she had not lost faith in its use as a standard, an example might be set that others would follow. For the present a level in price has been touched that indicates the worst that open mints would have to meet at the start. The only other sound alternative—a gold standard backed by gold—is too costly a remedy. Gold is not suited to the wants of the country, and it could not be forced on the people. It would also not remove the advantage in competition of silver standard countries which India's producers regard as a standing menace.

7811. (*Mr. Campbell.*) You say that the Manchester Chamber of Commerce is in favour of allowing things to remain as they are at present?—Yes, in preference to taking any other course.

7812. Is that because they think that the present scheme of closing the mints has not had a sufficient trial?—No, it is not for that reason; it is for this reason, that the proposals of the Government of India, in their view, seem calculated to make the position worse than at present, and therefore they would not like anything more done in that direction. But at the same time as they are not in favour of opening at once the mints to silver, knowing as they do that if the mints were opened immediately and suddenly there would be a dislocation of trade and inconvenience for some time to the Government, they think it best to remain as we are, and to temporise in the hope that a more favourable opportunity will occur at a future period for reopening the mints.

7813. Of course you are aware that during the last two seasons money has been extremely stringent in India?—Yes.

7814. It is apprehended that next cold weather we shall have a recurrence of that stringency?—I have heard that, and I share the apprehension.

7815. Now, has the Manchester Chamber of Commerce had any method under consideration for meeting that point?—None.

7816. According to them the market must simply fight through it?—The only proposal that I have heard—not from the Manchester Chamber—is that in the meantime the Government of India should buy silver and coin rupees and issue them, taking the profit, but of course it would be useless to put that forward, because it would be directly opposed to the policy of the Government of India, which is to further contract the currency.

7817. But do you not think, apart from that, that there are strong objections to allowing the Government to make a profit out of what you may call coining a dishonest rupee?—I myself think it an unsound policy and objectionable.

7818. Your own idea is to re-open the mints at once?—Yes.

7819. That would of course involve a tremendous dislocation of trade, and a very great fall in exchange?—It would.

7820. Have you any idea to what extent exchange might fall?—I should say that, seeing that when the mints were closed the immediate effect it had was to drive down silver to a much lower point than it had been at before, the immediate effect of reopening would be to raise silver to a certain point, and I think—it is absolutely impossible to speak with any certainty as to what that point might be—but I should anticipate that it would be something over 30*d.*

7821. That would mean a fall of exchange to somewhere about 11*d.* or 1*s.*?—Yes.

7822. Have you yourself any mode by which you would break that fall so as to obviate the inconvenience of such a dislocation of trade?—I cannot say that personally I have any mode, but I know that there are members of the Manchester Chamber of Commerce who think it might be broken by approaching it gradually, that is to say, by beginning under the present Government plan with a low exchange, something like 1*s.* 3*d.* or 1*s.* 2*d.*, or something near it—I think different figures have been mentioned—and waiting for the next step till later.

7823. Perhaps by offering 16 rupees to the sovereign instead of 15?—Yes.

7824. Or 17?—Yes.

7825. That would mitigate the disturbance?—Yes, to some extent.

7826. You were asked with regard to Mr. Lindsay's scheme and the points in which it might possibly break down. Suppose that the balance of trade in India's favour were from any cause to diminish very greatly, the tendency of that would of course be to lower exchange. Suppose exchange tended to go below 1*s.* 3¾*d.*, which Mr. Lindsay puts as his minimum point, might not the Government be forced, instead of selling Council bills below that rate, to go to the Department and take their remittances in that form?—It might be so, but I understood in reading Mr. Lindsay's scheme, that his suggestion is that under no circumstances shall Government stop the sale of Council bills in the ordinary way.

7827. I do not think he went so far as that. One of his points is that he would allow them to go to the Department so as to avoid the inconsistency of Government selling at one price and buying at another?—Then under those circumstances they would certainly be forced to call on the reserve.

7828. And would not that lead to a very serious danger of the scheme breaking down?—That is exactly one of the points that I had in view when Lord Balfour was examining me—that under those circumstances the scheme would probably break down.

7829. I did not think that point was clearly brought out?—It was not clearly brought out, but I had it in my mind when I was endeavouring to answer Lord Balfour's questions.

7830. I think you said your opinion was that a high or a low exchange has a very important influence on trade balances?—Undoubtedly.

7831. And that if Government, in the adoption of whatever scheme they might adopt, fixed upon too high a rate it might injure the export trade?—I think so.

7832. You also consider that the advantage of the fall of exchange goes to the cultivator?—I think the greater part of the advantage of the fall of exchange goes to the cultivator.

7833. We have heard that a fall of exchange is always followed by a fall in the sterling price of produce. Do you agree with that?—That has certainly not been my experience. It is impossible to prove that by statistics. Statistics do not tell you the circumstances that fashioned them; they only tell you in figures what has happened, but I have known gold prices rising, and exchange falling, of a certain commodity, and gold prices of commodities not produced in silver counties have fallen equally with those produced.

7834. Would you say, in all probability, the effect is divided between the two?—I should say that there has been an influence—that it has had some effect over a series of years, but I would not divide it; perhaps you might say 75 to 25, or in that proportion.

7835. That is to say, that the cultivator gets 75 and the sterling buyer would get 25?—That is my view of it, as closely as possible.

7836. (*Mr. Hambro.*) I did not quite appreciate one of your criticisms of Mr. Lindsay's scheme. You know at present India imports bullion to the extent of the bullion which goes into hoard, and I understand you think that a large further quantity would go into hoard, because they would be buying from the Exchange Department bills on London, and so would bring in gold?—No, I cannot have expressed myself quite clearly on that point. We know, of course, that gold is being continually imported, and it either goes into hoards or into ornaments, or disappears in some shape or form, but what I had in my mind was this: Supposing you had a balance of trade in any year, which was not much in favour of India, and simultaneously with that there occurred in India a large demand for gold for hoarding or other purposes, that would increase the run on this reserve through the gold bills issued by the Issue Department, and would, therefore, lead quickly to what Mr. Lindsay himself calls the point of apprehension.

7837. It could not get beyond the amount of the coin that was floating in money, or money would get light?—That is so, but when you are paying gold and receiving rupees, I do not think there are any means of measuring amounts.

7838. Have you any calculation as to how many rupees you could get out of circulation as money got tight?—I do not think anybody can express an opinion as to the number of rupees in India that are now hoarded, and it would be impossible to say to what extent they would come out under certain temptations, both from India and from places beyond our frontier.

7839. Still, if the people there supplied their hoarding instincts in that way, the balance of trade would probably right itself in time, and then exchange would go up again to a point that would bring in bullion if they did not want any more for hoarding?—Quite so, but what I was trying to work out was this, that if people once started an attack which would tend to break down confidence, it would be very difficult to reinstate that confidence, even though the operation might be possible eventually.

7840. You mean confidence on the part of the people?—Without public confidence I do not think it is possible to run successfully any artificial system and hardly with it in India.

7841. You said that a low rate would increase exports. Did you mean by that a falling rate, or a rate that had got low, and was fixed low? Suppose you take the rupee as a token currency, as I suppose if it goes on a gold basis it would become?—Would it?

7842. If you changed your basis to gold, and made gold your standard, I suppose the rupee would become a token coin?—If you made a gold standard, and the rupee became token, you would at once rob India of the advantage she has got from the silver basis.

7843. If we go on a gold basis the rupee becomes a token?—Certainly, if you have a gold currency.

7844. (*Mr. Le Marchant.*) What do you consider was the chief cause which has deterred the public from tendering gold and asking for additional currency recently?—Under the system, of course, exchange really never arrived at the point at which it would pay anyone to send out gold and tender it in exchange for rupees at the Treasury or the Treasury reserve.

7845. Do you think the high rate of interest and the absence of loanable capital was owing to an apprehension that exchange rates would fall as the year went on?—I do not think so. I do not think very much of that question of the absence of loanable capital. I have always divided loanable capital in India into loanable capital which is regularly employed by bankers and merchants in moving backwards and forwards the foreign trade of India, and loanable capital, if it may be called loanable capital, which goes out to India for permanent investment. If you offer an attractive form of permanent investment yielding a high rate of profit, no account is taken at all of the fluctuations of exchange. Thirdly, there is rupee capital in India in the hands of the natives which is used for conducting internal trade. I do not think any of these sources were affected by exchange fears.

7846. How would rates be so high unless there was a relative scarcity of loanable capital?—There is a relative scarcity of currency. The mints were closed five years ago. Immediately after they were closed two millions of silver which had been previously bought by the banks was allowed to be coined. Two millions were liberated by the Government of India, who decided to keep Government paper to that additional amount instead of silver against their note issue. Then a large number of rupees came out from hoards and were exchanged for bar silver. Natives bought bar silver at a low price, and they took the rupees out of hoard and put them into circulation. From these causes the extreme stringency took some years to make itself felt; but I think the stringency has lately been felt, and if things are left as they are it will become increasingly felt. Illicit coinage has—to the extent it exists—been a mitigation.

7847. Why did not the high rate of discount attract more demand for rupee exchange on India for the purpose of using the currency so obtained? Presumably it would have been a paying transaction to send money out in the usual manner of buying exchange and employing the proceeds?—As far as my experience of Indian trade is concerned, and that is spread over 25 or 26 years, under no conditions and no circumstances have I ever known money sent out temporarily for the purpose of getting a high rate of interest for a few months.

7848. Do you think that that may have been due in the past to apprehension as to a subsequent fall of exchange?—I have no doubt it has had some influence, but I do not think it has been a chief or an important influence.

7849. It has been commonly said, has it not, that the exchange banks withdrew a good deal of capital some years ago from India, and preferred to keep it

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on this side?—That is so. I speak in the presence of a gentleman connected with exchange banking; I am not a director of any exchange bank, but I think that that is so, that they took capital which they held in India and transferred it and kept it in London; but it still remained employed in conducting the foreign trade of the country, whether it was in London or in India.

7850. But only if there was a demand for remittances to India?—Or if there was a demand for moving produce in India; they could draw upon their reserves in London at any time, they could use it in moving the foreign trade, whether the capital was resting in London or resting in India; it was always moving backwards and forwards.

7851. If, on the other hand, rupees are required for moving produce in India, would it not be necessary for banks to send back their capital in some form, in order to get the rupees? Would they not have to part with sterling for a time so as to acquire rupees?—I understand your questions are pointing to this, that in removing their capital from India to England it acted as one of the factors in bringing about stringency.

7852. It was one of the circumstances that pointed in that direction?—I have thought over that, and the opinion that I have arrived at is this, that under a closed mint if a bank had capital which it was employing in India, and wished to transfer to London, it had to buy produce, and it paid out rupees for the produce, and they went into circulation, so that there were no fewer rupees; and as the produce came home they realised it for gold. It was only a transfer account on the part of the bank; it did not lessen the number of rupees under closed mints that were in circulation.

7853. But would not the bank be parting with that amount of currency, and so be in a less favourable position for making advances or discounts?—Not necessarily, because a man who received the bank's rupees might bring them back and deposit them again in the bank.

7854. Would not transactions of that kind tend to weaken the power of the bank for making advances in India?—No, so long as the currency was there and effective, I do not think it would weaken the power of the bank.

7855. Would not the disturbance of the balances of London banks tend to weaken their power of making advances?—It would depend on several factors. If it was for the mere convenience of the banks, I do not think it would have any effect. If the movements caused distrust, that would be another question altogether; but if it is only a matter of banking convenience, which the bank settles itself and nobody knows about outside, I do not see that there need be any disturbance.

7856. Would not the withdrawal of balances from banks in India mean that rupees would pass into circulation generally, and to that extent would pass out of the command of the bank?—It does not follow that they would pass out of the command of the bank. The people who took them from a deposit would pay them away, and the people who got them might bring them in again. Of course, although the rupees are there, if they do not deposit them, the bank has not the use of them, but on the other hand, those outside possessing them may want a smaller amount of accommodation that they might otherwise require to go to the bank for.

7857. On the other hand the bank would be in a weaker position for giving accommodation?—If what I say is correct there would be the less call for accommodation.

7858. But are not rupees the most efficacious when they are in the hands of the banks?—I admit that, of course.

7859. Now, if the policy which I understood you to suggest were adopted, and steps were taken towards gradually opening the mints, what would occur in the intermediate period? Would there not be an expectation of a lower rate of exchange in the future?—It would depend very much on the way in which it was done. Of course if there were an attempt made gradually to reduce the rate, leaving it vague and indefinite as to what time certain steps should be taken, I have no doubt there would be great speculation and uncertainty and unsettlement; but if the rate which it was proposed to adopt were stated, and were made a fixed rate for a certain term of years before any further steps were to be taken, I think the difficulty might be mitigated. But if that point were left vague, I think it would be unfortunate. It is this possibility of uncertainty, unless it is very judiciously done, that leads me to suggest, as my own personal view, that it might be well to go the whole extent at once without any gradations, but I think it might be done so as to minimise the danger of the new lower rate proving ineffectual and unstable.

7860. Though a materially lower rate of exchange might be expected?—Yes. That is possible.

7861. You were speaking of the development of the foreign trade of India from a certain period?—From 1873, which was a period practically of a rapidly falling rate of exchange under open mints.

7862. Do you think the opening of the Suez Canal contributed at all to promote that?—Of course there were many contributories. I may anticipate a further question upon the same point, by saying that railway development of course contributed, and so did the opening of the Suez Canal, and so did many other other things; but my view is that you might have had your railways, and your Suez Canal, and so on, and you would have had nothing like the same result if it had not been for the benefit that India received from cheap silver while gold prices were falling.

7863. Was there not an increase of taxation in the same period concurrently with the fall in silver?—I have looked that up, and I had great difficulty in getting at the exact figures from the public returns; but speaking from memory there were both taxes taken off and taxes put on; for instance, the import duties were taken off, first partly and then entirely, and on the other hand the salt tax was increased a little—not much. Generally I consider that the increase of taxation on balance was small.

7864. With regard to the effect of a rate of exchange; do you think that a rate of, say, for instance, 1*s.* 4*d.*, would lead to a permanently greater amount of imports than a lower rate? I am not speaking of the immediate effect but the permanent effect?—Oh, no; I dispute that most undoubtedly.

7865. I mean imports into India?—The whole groundwork of my position is that the development of imports entirely depends upon the development of exports, and if I am right in my contention that a low rupee and a low exchange have promoted and developed exports, then of course it follows that imports have also by a low rupee been increased. But if you ask me whether a rise of exchange would temporarily promote imports, it would do so, but at the permanent expense I believe of India's foreign trade.

7866. You mean the effect would be to temporarily check the exports?—To check exports and to stimulate imports.

7867. And the stimulus to imports, you think, would be only temporary, whereas the check to exports would be permanent?—There you open up a difficult question, for this reason: You must still keep before you what is thought a most important factor in this involved question, and that is that you have before you the possibility of great development in silver-using countries; and the higher you artificially raise your exchange—I do not say at once, or this year, or next year, but over a series of years—the more advantage you give to those other silver-using countries in competition with India.

7868. Do you think the development of China will be rapid?—I think, from the signs that we now see, that it is going to be rapid. Of course, we know that China is a marvellous country. It has a

most industrious population and splendid resources, and I think that in the course of the next 10 years China will develop more than she has done in the last 200 years—or 800 years for the matter of that.

7869. Have you anything to say about wages in China?—I think in China, as in India, wages move very slowly. The first effect of any development is of course on the price the landlord gets for his produce, and the effect of any great stimulus of production takes a long time to make itself felt by the class you call the wage-earning class.

7870. (*Chairman.*) You say you consider that the present currency in India is not an honest rupee?—That is so.

7871. And that there cannot be an honest system of currency if it is an artificial system?—That is so.

7872. Are you aware that, of the silver currency circulating in the world at the present time, which is estimated at something like 400,000,000*l.*, upwards of three-fourths is token currency with an artificial gold value?—I am aware of that.

7873. Does not that qualify your opinion?—Not as regards India.

7874. I was on the abstract question. Is a token currency which has an artificial gold value a dishonest currency?—No; no more than I call our shilling a dishonest shilling.

7875. (*Mr. Hambro*) It is exchangeable?—If the question of exchange is eliminated altogether, and a currency is maintained at a given value by the credit of the Government, it may be unsound, but it is certainly not dishonest.

7876. (*Sir J. Muir.*) You can only discharge debts by silver up to 2*l.* in this country?—Certainly.

7877. (*Chairman.*) Of course a shilling in this country is not worth 6*d.*, but for all practical purposes it is worth the twentieth part of a pound. That is an artificial value?—It is an artificial value maintained by the credit of the Government.

7878. (*Sir J. Muir.*) But it is only legal tender up to 2*l.*?—That is so.

7879. (*Chairman.*) You said that the landlords of this country had had to reduce their rents by 40 or 50 per cent. owing to the currency depreciation?—No, owing to the fall in gold prices.

7880. Do you think that that was the cause?—I think so.

7881. You do not think that free trade had any effect upon it?—I think free trade had an effect in giving England the full benefit of low gold prices.

7882. And you consider that the great depreciation in the value of land in this country arises from the fall in gold prices?—Yes. May I just add this? I think the fall in gold prices has been brought about by the estension of production all over the world, and cheapening of methods of production and means of communication, and of course England has naturally got the advantage of that under her free trade policy.

7883. (*Mr. Holland.*) You are interested, I think, in imports into India. We have had the advantage of a good many witnesses here who are interested in exports from India, and their position is quite intelligible. They say that low exchange encourages exports, but you have explained that the same movement of exchange, which encourages exports, discourages imports, and notwithstanding that, you think that ultimately it would be an advantage to your Indian imports rather than a disadvantage?—That is my view.

7884. You think it is a good policy to encourage exports?—No doubt.

7885. We have had it in evidence from a previous witness that Council bills themselves create exports. Do you agree in that view?—No, I cannot imagine it. I have heard of a hen laying an egg, but I never heard of an egg laying a hen.

7886. You do not agree that a Council bill is virtually an order to export?—No.

7887. You referred, I understood, with approval to the time when exchange was lower, and still falling; but was not there a good deal of dissatisfaction in Manchester at that time?—You are referring probably to the time when the controversy in Manchester was raging round the English question of currency. There is no doubt that there was one party to that controversy who did use that argument—the falling and fluctuating of exchange as lessening and making more difficult the conduct of trade with India; but, personally, I and those associated with me used the very same argument that I am using now to oppose that reasoning.

7888. Then, although there was dissatisfaction in Lancashire, it was not universal?—By no means.

7889. Is opinion in Manchester divided now at all upon this subject?—Apparently not, if we may judge from the resolution which you heard read.

7890. Now is it the fact that the Indian Government are really themselves very large landowners?—Very large landowners.

7891. And to that extent their interests are probably identical with the interests of the Indian producers?—That is the view that I hold.

7892. It is contended by some, and probably you will agree with it, that a policy which is in the interests of the producer in India cannot be contrary to the true interests of the Government of India. Do you agree with that?—That is the view I have always taken.

7893. Of course you are aware that a gap in Indian finance would be created by a fall of exchange. I understand that you propose to fill that gap by an increase of taxation?—If it be necessary.

7894. Do you think cotton would stand a chance of escaping if there were any increase of taxation?—That is a matter for the decision of the Government of India. You are now asking me a question my reply to which will be watched very closely in Lancashire. You know there was a very great commotion in Manchester over the re-imposition of the import duties. That arose I think, mainly, if not altogether, from the fact that Manchester had not realised that it is possible to put on import duties without interfering with free trade, to which they are intensely devoted; but now I think they know better, and see that if by excise duties protection is eliminated, and duties imposed for revenue purposes only, all interference with free trade principles is removed.

7895. Do you put that forward as the opinion of the Manchester Chamber of Commerce?—I do not say that there would not be objections, but I do not think you would have such hot objections expressed as upon the occasion which is no doubt within your own memory.

7896. The resolution of the Manchester Chamber of Commerce seems to imply objection to a gold standard with a gold currency. Would the Manchester Chamber equally object to a gold standard without a gold currency?—I think the opinion of the Manchester Chamber of Commerce is that the thing is impossible.

7897. Theoretically I suppose you are in favour of a gold standard, but you maintain that there are insuperable difficulties in the way of carrying it out?—I think it would be very difficult to keep the gold, and that it is unsuitable, and there is also another objection, that you would leave an advantage to silver-using countries. If it could be done I admit that it is sound in principle. I mean, of course, a gold standard, backed by gold.

7898. We have had it in evidence that the closure of the mints has had no injurious effects on trade. Do you agree with that?—No, I think it has had distinctly an injurious effect on trade. I think the movement in the interior of India both of imports and exports has been very seriously interfered with. That is my own experience.

7899. Do you think at the present time there are fewer rupees than are required for the purposes of trade?—I think so. I should like to see trade allowed to regulate its own demand.

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7900. I do not know if you fully explained your views as to what are the causes of the present stringency of the money market in India?—I believe myself, putting aside minor causes, that the chief and great cause is the closing of the mints to the free coinage of silver.

7901. We have often been told that there would be no currency question if there were no home charges, but I suppose those home charges result very largely from outlay on reproductive works?—Very largely indeed.

7902. You have yourself strongly advocated such outlay, I think?—Yes.

7903. And you think it is justified?—Yes; I think myself India would never have been developed unless England had taken the lead in constructing reproductive works in India with money borrowed in this country.

7904. (*Sir A. Dent.*) Nearly all the questions I had intended to ask you have been anticipated, but I would like to ask you this. You said that everything fluctuates—you said produce and freight fluctuate, and then I understood you to say, "and exchange fluctuates as "well, which is inconvenient," as much as to say that exchange was a minor matter; Is that the impression you wanted to give?—I wanted to give the impression that the fluctuation of exchange, as far as it affected the conduct of business, was unimportant in itself, although inconvenient; that it did not really affect the sum total of transactions in any year because the necessity for taking risks is removed by the facilities offered by the exchange banks.

7905. (*Sir C. Crosthwaite.*) You hold that low exchange promotes exports?—Yes.

7906. Does a large sale of Council bills tend to lower exchange?—That would depend altogether upon the existing balance of trade. If exports at the time of a large sale were very large they would be very easily disposed of without lowering exchange.

7907. I am supposing that a large sale is necessary every year, regardless of the state of the market; would that tend to bring down exchange?—It tends to bring down exchange under certain conditions.

7908. If the mints were reopened the Secretary of State would have to sell many more bills?—Yes, possibly, though not necessarily.

7909. Therefore the probability is that the large sales would bring down exchange?—If the balance of trade were unfavourable that would be so.

7910. Then if your position is correct, that the low exchange tends to increase the exports, so far, and in such conditions as I have mentioned, the sale of the Secretary of State's bills might tend to increase the exports?—It would tend to promote exports by lowering exchange till you reached the silver point, whatever that point was. Silver might go up to meet it or it might go down to meet silver, but while the sale of Council bills was being carried out it would not create exports, but by causing the rupee to fall and therefore to get cheap silver into the country it would tend to the development of the powers of producers.

7911. You said that the low rupee benefited the cultivator; I suppose you mean by giving them better rupee prices?—Yes, during the fall of gold prices.

7912. During the same period that you said this was taking place, from 1873 to 1893, you also said that gold prices were falling?—Yes.

7913. Would not that tend to counteract the effect of the fall of silver in giving the cultivator high prices?—It operated exactly in this way, that had it not been for the contemporaneous fall of silver along with gold prices, the cultivator would have been in the same position as the cultivator in this country, and he would not have been able to carry on without a reduction of rent.

7914. Therefore the benefit you mean was a negative benefit to him; there was no positive benefit?—It was negative in a sense; but I should think from a business point of view it was exceedingly positive.

7915. What I mean is, it saved him from loss, but it did not actually give him gain?—That is so.

7916. In your experience, have prices risen in India?—No, I should say not. Of course there have been rises in certain districts and temporary rises from different transient causes, but speaking over a series of years, and taking all commodities, I do not think there has been a rise.

7917. Have wages risen?—Not so much as you would expect except in the chief towns. I should say that the price of agricultural labour has not risen very much.

7918. (*Sir D. Barbour.*) You said that the expectations of the Government of India in closing the mints had not been realised?—Yes.

7919. What were those expectations that have not been realised?—It was expected that exchange would rise to 1*s.* 4*d.* and remain there, and that in a certain time gold would be presented in India shipped from this country to pay for the balance of trade; then that the Treasury would pay out 15 rupees per sovereign and replace the reserve with gold instead of silver; and then when the whole of that reserve had become gold and the sovereign was still being brought from this country to pay for the favourable balance of trade the Indian Government would buy silver and coin it, and with the rupees it coined it would pay for the sovereigns and so make the gold standard effective. That I gathered was the policy and plan of the Indian Government judging from the published records.

7920. Taking the question of the rise to 1*s.* 4*d.*, did the Government of India expect that to be realised immediately?—I do not say that they expected it to be raised in a week or a month, but I gathered from the records that it was expected to come in a year.

7921. I will read to you this passage from a speech that I made in the Viceroy's Council on the 26th June 1893 when the Bill was introduced: "It may be that "the gold standard can be made effective from the "first, though it will not be secure until there is a "considerable amount of gold in our treasuries and "banks. Or it may be that the making of the gold "standard effective, and the establishment of it on a "secure basis, will involve a long and arduous struggle, "and necessitate heavy sacrifices. Time alone can "show which view is correct." Having heard that, do you still say that the Government of India expected that the rise would be immediate?—If that is a correct report of what you said, of which I have not the slightest doubt, certainly your opinion at that time was that there were two views; and if you spoke the opinion of the Government of India, they held the same. But many opinions were spoken—authoritative or not—at that time.

7922. Did the Government of India ever fix any time within which the gold standard would be made effective, or within which they thought it would be made effective?—They never did as far as my recollection goes. I have only the impression that I gathered from various despatches that I read.

7923. I would like to read you another passage. This is a passage from an answer to a question put in Council on the 31st August 1893. "The object of "providing for the issue of rupees in exchange for "gold at 16*d.* the rupee was to prevent any great "and sudden rise of exchange, and the Government did "not undertake either to establish 16*d.* per rupee as "the permanent ratio of exchange between gold and "the rupee, or to establish any other permanent ratio "immediately or within any specified time." Do not those words show that the Government expressly avoided fixing any time within which the gold standard might be made effective?—I do not say that they specifically named a date, but the general impression was undoubtedly that they expected it to come, as I have already said, within a year.

7924. I suppose you would call this the slack season in India?—Yes.

7925. You know that the exchange is very nearly 1*s.* 4*d.* at present?—1*s.* 3⅞*d.*

7926. Do you apprehend that there is any probability of a serious fall again in exchange?—Do you mean immediately?

7927. In the course of the next two or three years?—Oh, yes, I think it is quite possible.

7928. Have you been rather surprised at its keeping up to 1*s.* 3⅞*d.* at the present time?—Not at all.

7929. What are the special causes that have been operating to keep it?—Two special causes have been operating; imports have been very seriously interfered with on account of the state of trade in Calcutta, owing to plague scare; and this has been aggravated to some extent by dear money. Then also in Karachi and Bombay there has been serious interference with imports by reason of lingering plague prevalence.

7930. I think you said that a gold standard and a gold currency are not well suited to India?—That is my opinion.

7931. Do you mean that it is not possible to establish a gold standard and a gold currency, or that it would not be a good measure even if it were possible?—I regard the gold standard with the gold currency as a sound principle, but it is very difficult to estimate how much gold you would require to start with. I have heard it stated in this room to-day, that you would require 20 or 30 millions, but if you are going to have a gold standard which will enable you not only to provide for convertibility, but also to provide for an unfavourable balance of trade at any time, I think, myself, it might possibly be a very much larger sum at the beginning, and if I recollect rightly, you have yourself once estimated it at about 70,000,000*l.*

7932. Putting aside the question whether or not it is practicable to establish a gold standard cheaply or readily, if you had a gold standard, would it be a good thing?—If you had a gold standard and an effective currency, putting aside all the difficulties, that is to say, the initial expense, the amount that would go into hoards, necessitating annual replenishment by the Government, if you put all that aside the only drawback is, as I have already said, that you leave the advantage as between India and China in the hands of China; and in my opinion it is not suited to the circumstances of the country.

7933. Then the drawbacks are that it may be difficult and expensive to establish it, and that, if it be established, you think nations that have a purely silver standard will have some advantage?—That is it, and unsuitability.

7934. You said you thought that India had an advantage from the silver standard between 1873 and 1893, as compared with countries with a gold standard, and at one time you said you thought that that was because the Indian prices remained more steady in silver?—Yes.

7935. Do you think she had any advantage in foreign trade? What you said about prices remaining more steady under silver would apply to all prices in India, but over and above that, do you think she had any advantage in her foreign trade?—You mean looking at it from the point of view of both imports and exports?

7936. Take first imports, and secondly exports?—I think so. I think by being able to get for her surplus produce a greater price in silver, and those silver rupees going as far as ever, it kept her in the position to pay a higher price for her imports and purchase more than she would otherwise have been able to do. I am always keeping before me the fact that, unless exports prosper, you could not expect imports to prosper.

7937. You think, then, that the fall in exchange stimulated exports, and stimulated the imports too?—Yes, in the manner I have tried to explain.

7938. Do you think that a rise in exchange during that time, if it had occurred, would have had the opposite effect?—I think a rise in exchange would certainly have robbed the cultivators and producers of India of a great deal of the benefit that they got, and would have made it more difficult for them to pay their rents to the Government.

7939. You are speaking of the foreign trade?—I am still speaking of the foreign trade.

7940. If exchange had risen, would the imports and the exports have been the same?—If exchange had risen over a series of years, I think the exports would distinctly have been checked.

7941. And therefore the imports?—Just so.

7942. So that the fall in exchange stimulated both exports and imports—that is the whole foreign trade?—Yes, as exports increased so imports increased.

7943. And a rise in exchange would have checked exports and therefore checked imports, and the two make up the whole foreign trade?—No, you have something more than that. Naturally you must have a balance between imports and exports, but the foreign trade on the one hand is made up of exports, and on the other hand, in considering imports, you have, first, commodities, and then you have to take into account the amount of Council bills and private remittances.

7944. You want to include the Council bills in the trade?—In a manner it is impossible to leave them out, and there is always the unknown quantity of private remittances.

7945. I would like to put that aside and take the trade merely—the exchange between commodities, including gold and silver. I have found a difficulty in holding, and I have never seen it explained to my satisfaction, that a fall in exchange stimulates the international trade between two countries, and that a rise in exchange has the opposite effect; that is looking at it from the point of view of one country, but if you look at it from the point of view of the other country a fall of exchange becomes a rise of exchange. A fall in the Indian exchange is a rise in the English exchange, and yet the opposite effect is ascribed to the same thing according to the side from which you look at it.—I also have been exceedingly puzzled in trying to make out the complexities of the problem, but if you once go out to India and live with the producers of any commodity in any part of India, whether you take coffee, cotton, tea, or any other article, and ask them whether they have not benefited by a fall in exchange ——

7946. I am merely telling you the difficulty that has occurred to me and to which I have never seen any answer—The difficulty has often occurred to me. I do not think I can think over it more than I have done. It is more or less a conundrum that has to be answered in this case from the Indian point of view.

7947. Now, as regards confidence being necessary to the establishment of a gold standard. If you pursued a system in itself unsound for the establishment of a gold standard, the fact that there was confidence in that unsound scheme would not enable you to establish a gold standard?—Certainly not; but I think you pay a poor compliment to those who have to express confidence in the system.

7948. Some people have confidence in an unsound system. It has happened before and it might happen again. We have seen men of decided eminence declare in favour of a system, and men of almost equal eminence declare against it?—I must confess myself that when I hear the word "scheme" or system mentioned in regard to currency matters I begin to feel a little frightened.

7949. On the other hand, if you had a sound scheme it might succeed, although there was no confidence in it?—If you persevered in it you would win confidence.

7950. All I mean is that confidence of itself is not what will establish a gold standard. If you have a sound scheme you can establish a gold standard, although there may not be confidence in the scheme?—Just so, and in the same way, want of confidence in an unsound scheme will probably make it break down all the sooner.

7951. Confidence alone will not make it sound?—No.

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7952. Now as regards the high rate of discount in India. Do you think it is due to want of loanable capital or want of currency?—I have come to the conclusion that it is want of currency.

7953. You know there are a great many rupees in India that are not available as loanable capital?—That is so. Every man in India is his own banker practically and keeps his rupees hidden away.

7954. If 5 crores that are hoarded in the interior could be got at and deposited in the presidency banks, that would increase the available capital, although it would not increase the currency?—Undoubtedly, because the rupees which are now practically non-existent, would become available.

7955. They are not non-existent. They are rupees which are in existence, but are not available?—They are non-existent for all practical purposes. They are not available—they are not part of the effective currency.

7956. Now you said that some of the exchange banks had withdrawn money from India?—Yes.

7957. Do you think some private depositors have taken their money out from India also?—I think a number of people who had savings there and were waiting for 1*s.* 4*d.* sent their money home to invest it in this country. But that sort of thing has been going on, I think, more or less ever since I went to India 25 years ago.

7958. I think I heard you say that a Council bill was not an order for export?—No, not exactly an order for export. As I understood the question, it was that a Council bill did not create an export.

7959. Suppose the Secretary of State made up his mind, or Parliament ordered him, to draw 10 millions sterling in every year more than he had drawn before, that would put down the exchange?—Yes, under certain conditions.

7960. That would increase exports?—A lower exchange would stimulate exports of course.

7961. In fact, that 10 millions could not be paid in any other way, practically, than by increasing the exports?—I see exactly your point, but the way you are putting it, I think, is tending a little to the confusion of two separate issues. Naturally as Council bills increase and have to be drawn to that extent, as they have to be paid by exports, you must increase your exports, and if that leads to a fall of exchange the chances are that those exports will be forthcoming; but suppose you insisted on drawing an increased number of Council bills, no matter what the circumstances were, and suppose it was in a year such as the year which we have lately passed through, with no surplus production—a famine year—you could not create produce by Council bills. You would have to find some other means to balance it; you could not create produce because you drew Council bills.

7962. You might check imports?—But that would be after the mischief was done, when you could not get produce to ship.

7963. It is not my statement that a Council bill is an order for export, but it appears to me that money which the Secretary of State has to find, can only be found by India if there is a sufficient surplus of exports over imports?—That is so, undoubtedly.

7964. There is no other possible way?—Just so.

7965. Therefore, if the Secretary of State has more money to find, the surplus must increase?—The surplus must increase and does increase under ordinary circumstances. I was only wanting to avoid what appeared to me the possibility of confusion by using the word "create." If the exports did not exist effectively in the country, you could not create them by drawing Council bills.

7966. In point of fact, when the exchange fell sufficiently low, gold was exported to some extent from India?—Yes, the holders of gold, the native bankers, were very clever; they thought at one time exchange was going to recover, and therefore they sold out their gold, and for that year the export was larger than the import. It was simply a speculation.

7967. And since exchange rose they have begun to import again?—Yes.

7968. Now as regards trade having suffered by the closing of the mints. It has suffered, no doubt, from the high rate of discount which you ascribe to the closing of the mints, and I entirely agree with you to that extent, but has trade suffered in any other way?—I would answer that question in this way, that the mischief that would be brought about by the closing of the mints, if the present policy were persevered in, is only now beginning to show itself, and it will be years before it develops to its full extent. It will take a long time really before the mischief in India, if the present policy is persevered in, will show itself in the statistical returns.

7969. I was not thinking so much of the statistical returns, because, of course, the famine has caused a falling off, but, apart from the high rate of discount, in what other respect is trade likely to suffer?—I think I have already gone over that ground, first in regard to the advantage that silver-using countries will have, which, of course, I think will increase very much as years go by.

7970. Anything else?—Those are the two chief dangers. The rupee has been high for such a short time, and such an unfortunate time for India, that I would not base any argument upon that.

7971. If prices, and wages generally, rose in silver-using countries, the countries which have a silver standard would lose that advantage?—If silver rose to the ratio fixed in India, they would have no advantage.

7972. But if silver prices rose proportionately to the fall in silver in silver-using countries, they would lose the advantage?—You mean in wages, yes. It would diminish. I do not say that it would disappear altogether; I do not believe myself that that is possible, but it would diminish.

7973. Theoretically, it would, if everything rose in proportion?—Theoretically. That is the theory; I have never been able to see it practically tested satisfactorily in any experience of mine.

7974. I know there is a difference of opinion upon the question between men, on both sides, very capable of forming an opinion, but if wages were to rise proportionately, the advantage would be swept away?—No doubt.

7975. (*Mr. Hambro.*) You said you had carefully considered the question of loanable capital and currency. Can you separate in any way loanable capital in any one spot from the currency available in that spot?—I cannot myself.

7976. Could you get any more capital loanable in a particular spot without bringing more currency to that spot?—That ought to be so wherever you have a mint that will take the bullion that you bring to it, but it is impossible in India at the present moment because the mints are closed, and therefore you cannot send bullion and transfer it into currency.

(*Sir. F. Mowatt.*) When you say currency you are referring to rupees?

(*Mr. Hambro.*) Yes.

(*Sir F. Mowatt.*) Not notes?

(*Mr. Hambro.*) Well, notes are rupees, because they can be exchanged for rupees.

7977. (*Sir J. Muir.*) I understood you to say that you consider that those desiring the benefit of India should do all they can to foster and encourage exports?—Certainly.

7978. And in your individual opinion you think it desirable that the mints should be re-opened under proper safeguards?—I think the sooner you get to open mints the better it will be for India.

7979. You were asked if you could suggest any such safeguards. I think it behoves those who hold your opinion (with which I do not disagree at all) to suggest some such safeguards. Perhaps your attention has not been very much directed to that subject?—I myself do not see if you are going to have the principle of open mints, that you can provide any safeguards, for safeguards themselves partake of the

nature of an artifice, and therefore are unsatisfactory. I have already said that the proposal to arrive by gradation at open mints has something to be said for it. I have also had it suggested to me that if it were possible to approach America, leaving England entirely out of it, and propose that they should open their mints at a low ratio the (equivalent of 42*d.*) on condition that India should open her mints, it would be a useful lesson, and it could not be any disadvantage to England and would benefit India.

7980. You say it would be a useful lesson?—Yes; we should see how America would get on with her experiment in bimetallism. I have heard that suggested several times, and, if practicable, it certainly is deserving of consideration. Whether there is any practicability in it I do not know. It does not preclude what, to my mind, is the most important thing, and that is, arriving by some stage or other at the opening of the mints for the free coinage of silver. In fact I believe it would get over many difficulties, and might be a final solution.

7981. Mr. Lindsay's scheme has been fully explained to us, and we have also had the Government of India's scheme, and Mr. Probyn's scheme. Now we had before us an eminent banker, Mr. Raphael. He has a scheme which was briefly explained to us by Mr. Robert Steel. I will just explain to you what it is, because it seems to me there is something in it. I do not approve of it altogether, but I think there are the bones out of which something might be evolved. Mr. Steel explained Mr. Raphael's scheme in this way: "You may announce that the mints are opened "to silver to be coined as it is paid in, in order of "delivery; that you will coin two lakhs of rupees a "day and that you will pay for it in Treasury drafts "at 10 days, that is to say, that the first two lakhs of "silver presented at the mint will be paid for by "draughts at 10 days sights, the second two lakhs "will be paid for by drafts at 11 days sight, the third "two lakhs by drafts at 12 days sight, and so on. In "that case a large amount of silver no doubt will be "tendered at once in India, and probably enough to "keep the mints going for 18 months. It would not "be possible for people to send out silver from "England to meet that demand without incurring the "prospect of considerable loss, that is to say, they "would only be paid for it 18 months later, and they "would have to discount the Treasury drafts. Now, "in discounting the Treasury drafts, the discounter "would naturally take into account the fall in the "rupee value at the time he has paid his money, and "he would therefore charge a higher rate of discount, "I should think not less than 12 or 14 per cent. per "annum. The consequence is it would not pay to "send out silver from England to India for coinage "without allowing a considerable discount, and the "exchange would not fall very rapidly. I do not "think the exchange would fall very much at all "under that arrangement." As I say, I think the bones of some scheme are there. I think he proposed too much when he said two lakhs of rupees a day. Suppose we were to begin with one lakh, or something of that kind; do you see anything of a basis here whereby we might reopen the mints without running the risk of a very sudden collapse in exchange?—I would not like to give an opinion hastily in a matter of that sort, especially as that suggestion comes from such a distinguished authority, but I do not think it would work out as its author anticipates. If it were known that open mints were coining, exchange would be apt to tend quickly towards the silver price.

7982. Perhaps when you get the proof of your evidence you will fill in whatever you desire to say upon that scheme?—Very well.

7983. If I have understood you aright, you have said that while some years ago Manchester objected strongly to the import duties, that objection had not reference so much to revenue raised for Government purposes as to the argument about Protection?—What I wished to say was this, that when import duties were first mooted, Lancashire got the idea that it was an interference with free trade, to which she is devotedly attached. You know that that is one of the principles that Lancashire people feel most strongly about. But what I said was that Manchester had gradually discovered, as the controversy has proceeded that really the imposition of import duties does not interfere with the principle of Free Trade at all, if you put on a duty for revenue purposes only, and eliminate all elements of protection. What I wished to convey was that according to my view the feeling in Lancashire would not be strong upon the subject now, so long as there is no question of Protection.

7984. That is what I understood generally, but I wanted to elicit it from you?—May I just say here that I have often heard Indian import duties objected to on the ground that they do not pay the cost of collection. In the case of increased duties no objection of that kind applies, because the cost to the Custom House of the collection would not be increased, it being a fixed charge, while the per-centage of expense would be diminished.

7985. Charging an Excise duty on the Bombay mills?—Yes, you must not allow me to leave you gentlemen in this room with the idea, and I would not like Lancashire to get the impression, that I have advocated increased duties. I have only tried to answer your question as to the present state of feeling in Lancashire.

7986. What I am trying to feel my way to is this. It has been stated that there will be great difficulty in the Government of India raising the necessary funds to balance the Budget. My opinion is that if we set about the thing carefully some means might be devised?—I think myself that the best means, if it ever came to be a question of taxation, would be to appoint a carefully selected Commission or Committee of Europeans (non-officials and officials) and natives, and let them go thoroughly into the question in a way that it has not been gone into at all up to this point.

7987. The idea has been suggested that there might be an export duty charged on all jute shipped from Calcutta, and at the same time a duty on all jute produced by the jute mills in Calcutta, which would produce a very substantial sum. Those are two sources of income—Manchester goods and an Excise duty in Bombay; a duty on the raw jute and an Excise duty on the jute mills in Calcutta would bring in a substantial sum. Then again, coal, as you know, has now become a large article in India, and again, iron; that is to say rough iron—pig-iron; then again, salt has been referred to?—Be careful about salt.

7988. We have had before us Mr. Robert Steel, who understands the thing pretty thoroughly; and he says, at any rate, if the native pays for his salt he only pays 4*d.* a year. Then, we can assess up to 3 rupees, and now we only assess up to 2 rupees 8 annas; the difference 2 rupees 8 annas and 3 rupees would amount to a large sum, perhaps 9 crores or so.

(*Mr. O'Conor.*) Oh, no, perhaps 1 crore; not more. We only get 6 crores now, out of the 2 rupees 8 annas assessment.

7989. (*Sir J. Muir.*) However, that is another thing that we could fall back upon?—But I warn you that salt is a burning question among the natives of India, because it is a sentimental question. The native Indian is very averse to any increase in the salt tax, the feeling being that it falls on the poorest classes, and that they can ill afford any extra taxation.

7990. Do you know anything of the settlements; the land was settled on the basis of 30 years, and some of the settlements are falling in from time to time?—Some of them; some of them have been renewed, I think, not very long ago.

7991. As these settlements fall in the period of settlement might be reduced from 30 years to 10 years?—I think it is quite within the province of the Government of India to consider that matter. They know all the circumstances, and what they can safely do.

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7992. But that is another source of income?—Yes.

7993. (*Sir F. Mowatt.*) I understood you to say that you thought the silver standard of China has given an immense advantage in competing with India for external trade?—I rather intended to convey this meaning, that we had not had time yet to see China reap the advantage of the silver standard, but that it will inevitably come within a few years. That is my opinion.

7994. That would be equally true, of course, with regard to Chinese competition with all gold standard countries?—Yes.

7995. Therefore India is no worse off than the various gold standard countries in the world in competing with China?—Except that she is doing a direct competition in many articles which both can grow, being Oriental countries, and that other gold standard countries, European countries, cannot grow.

7996. (*Sir C. Crosthwaite.*) I understand that in your opinion the low exchange value of the rupee did not reduce the sterling value of produce in gold countries?—I think I said in answer to Mr. Campbell that it had some influence. I admit it had an influence.

The witness withdrew.

Adjourned.

EIGHTEENTH DAY.

Tuesday, July 26th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

The LORD BALFOUR OF BURLEIGH.	SIR ALFRED DENT, K.C.M.G.
SIR JOHN MUIR, Bart.	MR. ROBERT CAMPBELL.
SIR FRANCIS MOWATT, K.C.B.	MR. EVERARD HAMBRO.
SIR DAVID BARBOUR, K.C.S.I.	MR. W. H. HOLLAND.
SIR CHARLES CROSTHWAITE, K.C.S.I.	MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. H. Coke.

26 July 1898.

Mr. HENRY COKE called and examined.

7997. (*Chairman.*) Your place of business is 12, Leadenhall Street, and you are the representative of Messrs. David Sassoon & Co.?—Yes.

7998. For how many years have they been engaged in the Indian trade?—They have been in Bombay for 60 or 70 years.

7999. How long have you been connected with them?—Thirty years.

8000. I believe you are intimately acquainted both with Indian currency and Indian commerce and Indian finance?—I have had a great deal of experience.

8001. Were you in favour of closing the mints or were you opposed to closing the mints in 1893?—I was in favour of closing the mints, and I gave evidence before Lord Herschell's committee to that effect.

8002. Will you give us shortly the grounds upon which you arrived at that opinion?—In 1876 I urged upon the India Office, through Sir Louis Mallet, the expediency of closing the mints, I have a letter in my possession at the present time from Sir Louis Mallet, saying that he agreed with me, that under the circumstances it would be quite justifiable to take that course, but I ought to be aware that there were a great many authorities both in and out of Parliament who were strongly opposed to such a course. For many years I was connected with the Bimetallic League, but when I saw that bimetallism was impossible, I turned my attention to the closing of the mints, and urged this course upon all persons connected with, or having any interest in the Government of India.

8003. May I ask whether you have any statistics to support that view?—I have not.

8004. Do I understand that Sir Louis Mallet expressed an opinion in favour of the closing of the mints?—Yes, here is the letter:

India Office,
September 15, 1876.

DEAR SIR,

I AM much obliged for your letter and can only say that your views are almost identical with my own on this question.

I believe that the result will be a diminution of imports to an extent sufficient to enable the Home Government to draw its 20 millions out of the excess of exports, and a general contraction of the foreign trade of India.

I do not see how the exchange can right itself under present circumstances. As to stopping coinage in India—which I agree with you in thinking quite justifiable, if not necessary—you are aware that all the great authorities, both in and out of Parliament, are bitterly opposed to it.

Faithfully yours,
(Signed) L. MALLET.

H. Coke, Esq.

8005. In your opinion what has been the effect upon the export trade of India of the closing of the mints?—I think it has had little effect one way or the other. The export trade has continued very much the same as it was before, and my opinion is that, if the export trade of India could be conducted with exchange at 2*s.* for the rupee, there is no reason why it should not continue with an exchange of 1*s.* 6*d.* or 1*s.* 4*d.* the rupee. I fail to see that exports have been affected in any way by this fall of exchange.

8006. You do not think the exports have diminished?—I think not.

8007. Have you any knowledge of its effect upon the internal trade of India?—I believe that has not been affected in the slightest degree.

8008. Have you any knowledge of the recent stringency in the money market in India?—I have.

8009. Will you tell us your views as to that?—The effect of closing the mints has been that every year the redundancy of currency which existed in 1893 has been curtailed by a slow process. In 1893, when the closing of the mints took place, the whole of the crop of that year had been already paid for and disposed of, so that the closing of the mints had no immediate effect upon exchange. In 1894 there was a very considerable redundancy of currency to be worked off. A portion of it went up country and sank into the black soil of India; that is, it went to pay the wages of the labourers who had grown the crop, and it became distributed among people in the interior. In 1895 a further effect upon the currency took place by the disappearance of the redundancy. Then we came to the famine year, when the reduction was less. Subsequently the export trade resumed its normal proportions and the stringency of money was severely felt. Exchange rose to 1*s.* 4*d.* the rupee. People who had kept back their remittances waiting for the expected rise took the opportunity to remit, and this added to the demand for sterling bills. In my opinion the stringency will increase every year.

8010. (*Sir F. Mowatt.*) You say, will increase, not continue?—Will increase; and I suppose that next year if there is an ordinary crop, the stringency will be greater, and there will be a still greater difficulty in getting money in India to pay for the crop of the year.

8011. (*Chairman.*) How is that affected by the Government notification that for gold at the rate of 1*s.* 4*d.* the rupee, they will give rupees?—I think the gold must go to India.

8012. To get the rupees?—To get the rupees. It is the only means of increasing the currency of the country. The currency must be elastic.

8013. Is it not the fact that under the last notification of the Indian Government, upon the payment in London of gold, rupees can be coined in India if the Government wish to coin them, and put into currency there?—Yes, but people will not pay gold into the Bank of England in return for rupees in India at 1*s.* $4\frac{5}{32}$*d.*, when there is a risk of the exchage falling to 1*s.* 3*d.* on the cessation of exports. As a matter of fact, forward exchange at one time this season was quoted as low as 1*s.* 3*d.* when the rate of the day was 1*s.* $3\frac{3}{4}$*d.* to 1*s.* 4*d.*

8014. You are satisfied then that in 1893 there was a redundancy of currency?—I think so.

8015. More than the trade of India required?—Yes. The effect of the Sherman Act had been to cause large speculations in remitting silver to India. The extent of these was given before the Herschell Committee, who, I believe, were satisfied as to the redundancy for the time being.

8016. If the Herschell Committee had not inserted that limit of 1*s.* 4*d.*, do you think the rate of exchange would have risen higher than it is now?—It is entirely a matter of opinion. I think myself that there would not have been a block to the rise, as there is now. The course of events is this: directly the exchange gets to 1*s.* 4*d.*, or practically to that, people stop operating for the rise, and sell for a fall, as that is the only means by which they can make a profit on exchange.

8017. Do you think 1*s.* 4*d.* a reasonable rate?—I do.

8018. If you had a clean sheet, is that a rate that you would recommend?—I should. I expressed the same opinion before Lord Herschell's Committee, before I had seen the minutes of the Government of India, which I think pointed to 1*s.* 6*d.*

8019. Will you just repeat your reasons?—I thought that rate fair at that time. First, because it was not a greater variation from the existing rate than had been known to occur in the ordinary fluctuations of exchange when the par was 2*s.* per rupee; secondly, because it was only just that the Government when introducing a new system of currency should show some consideration to the interests that had suffered by the severe fall that had taken place in consequence of the demonetization of silver in Europe. (I may mention that when 1*s.* 4*d.* was recommended, the actual rate was 1*s.* 2*d.*) Thirdly, because a rate of 1*s.* 4*d.* did not differ widely from the average rate of the preceding five years. The average was nearly 1*s.* 5*d.* Fourthly, because a higher rate would have put too great a strain upon the new interests that had been allowed to grow up on the faith of the existing state of the currency of India. Those are the four reasons; and I may say that whereas those reasons influenced me at that time in fixing the rate at 1*s.* 4*d.*, the exports of the last five years have proved that the rate of 1*s.* 4*d.* was not higher than the export trade of India could bear.

8020. Are you of opinion that a low rate of exchange is a permanent advantage to the export trade?—I am not.

8021. Why not?—If the rate had been fixed at 1*s.* 3*d.* or even 1*s.* 2*d.*, certain interests would have maintained that a further fall should not have been arrested by the action of the Government. It appears to me a fallacy to assume that a low rate of exchange is a permanent advantage to the export trade of India. While the rate is falling there is no doubt a great inducement to press forward exports to catch the higher sterling prices ruling in European markets, and therefore the volume of exports may be expected to increase; but when exchange has found its lowest level, if such were possible on a silver basis, the whole advantage would disappear in the adjustment of the lower sterling price of commodities, and then disappointment would be caused by the absence of the stimulus of a still further fall: just as unhealthy stimulants lose their effect on a patient when not constantly increased.

8022. Are you in favour of the reopening of the mints?—No, certainly not.

8023. Will you just tell the Committee why you object to the reopening of the mints?—I object to the reopening of the mints because the currency of India would be at the mercy of the speculators in silver. I suppose there is no commodity which is more subject to manipulation by American speculators than silver, and I think it would be most unwise to place the finances of India and the trade of India, upon such a shifting basis.

8024. Are you in favour of the establishment of a gold standard for India?—I am.

8025. Do you include a gold currency at first?—Not at first. I think it will take some time for the present system to work out. I am in favour of a gold standard for India without a gold currency at first. It is impossible to devise a complete scheme which will satisfy the conditions of India. The method must be tentative and step by step. It has taken five years to prove that Indian exchange can be separated from the price of silver. It may require another five years to prove whether the people can be trusted with a gold currency. But this is a point which should be left to the judgment of the Government of India, who have more opportunity than any single individual of forming a correct opinion on matters appertaining to national characteristics.

8026. I presume that you mean by the remark, "whether the people can be trusted with a gold currency," whether the gold would not be abstracted from the currency for the purpose of hoarding?—Yes.

8027. Do you agree with Mr. Arthur that it would be a mistake to fetter the Government with any special recommendations?—I agree with Mr. Arthur that it would be a mistake to fetter the Government with any special recommendations, as to the method of introducing the gold standard. I would qualify that by saying, that while I would not prescribe to

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the Government a complete scheme for the introduction of a gold standard, I cannot think that it would be desirable to withdraw 12 crores of rupees from the diminishing circulation, and melt them up.

8028. You do not agree, in fact, with the proposals of the Government of India to establish a gold currency?—I do not agree with that proposal.

8029. You are speaking of the artificial contraction of the currency?—Just that.

8030. There is another proposal of the Government of India, which is the immediate introduction of a gold currency; that is, making gold legal tender. Do you approve of that?—I should leave that to the discretion of the Government, but as I said before, the change must be gradual.

8031. I suppose, subject to those two qualifications, you see no insuperable difficulty in establishing a gold standard and gold currency?—No.

8032. You would have a gold standard with a silver token currency?—At first I would have a gold standard with a silver token currency, and see how that works before issuing sovereigns for general circulation.

8033. Have you considered Mr. Lindsay's scheme?—I have.

8034. Will you tell the Committee what you think about that?—I view Mr. Lindsay's scheme with some favour. His idea of a gold standard office both in England and India is somewhat akin to the suggestion made by me before the Herschell Committee, that Indian Exchange might be worked through a State bank, which should also undertake to make the remittances of Government; but Mr. Lindsay leaves the latter to be dealt with as at present, so that the operations of the gold standard offices and the sales of Council drafts might clash. There is also the financial responsibility which the Government decline to accept. If these two objections could be overcome, I think the gold standard offices might control the exchanges just as the Bank of England settles the rate of interest in London without interfering with the operations of private banks.

8035. With reference to Council bills, would not Mr. Lindsay's scheme, by prescribing a minimum rate, practically settle the price at which Council bills would always have to be sold?—There would be a greater demand for Council bills at certain times of the year, and then the rate would be higher.

8036. And do you think that that would take the price up above 1*s.* 4*d.*?—I think it would.

8037. Are you satisfied that the present mode of disposing of Council bills once a week by a supposed auction is the best mode of making the Government remittances to India?—I should not like to express any opinion against it.

8038. Have you any opinion with reference to placing a duty on the import of silver as part of this scheme?—A very strong one.

8039. Just tell the Committee what it is?—If the Government could see their way to fixing a minimum rate of exchange, as proposed by Mr. Lindsay, much of the difficulty would be overcome, but when the Government, who are responsible for the financial results, openly affirm that they cannot undertake the responsibility, it would in my opinion be unwise to press them to do so. The effect of a minimum rate would be at once to eradicate the speculative element which intensifies the tendency to a fall in exchange, even more than the cessation of exports. Lastly, I suggest that the Government might strengthen their position materially by placing a duty on the import of silver, equivalent to a rate of exchange of 1*s.* 4*d.* the rupee. The value of the hoarded mass of silver already in the possession of the Indian community would then be raised to the present artificial value of the rupee, and there would be no inducement to ill-disposed persons to increase the volume of currency by illicit methods. There is a suspicion that all the silver which now goes to India does not go for manufacturing purposes or for the ordinary purposes of trade. There is a suspicion; I do not think it can be proved.

8040. Do you think it goes for illicit coinage?—It goes up country and something is done with it that the Government do not know. It disappears from view.

8041. I suppose there is also a large quantity of gold sent to India, of which we do not know the proposal?—A great deal of gold goes there for hoarding, and a great deal is used in the manufacture of puggarees and native dresses.

8042. Now have prices remained pretty constant with the falling exchange?—The gold prices in this country?

8043. In India?—The silver prices have remained practically constant. Evidence was given before the Herschell Committee, from 12 of the principal markets in India, of most of the leading articles of trade, showing that, whilst exchange had been falling from 2*s.* in the rupee to 1*s.* 3*d.*, the silver price had been practically unchanged; but to my certain knowledge the whole thing is adjusted in the gold price in this country. My own experience for the last 20 years has satisfied me that whereas the average of silver prices in India has not varied, the fall in exchange has been adjusted in the gold price in this country. Our firm used to receive large consignments of the produce of India for sale in European markets. When exchange continued to fall rapidly, affecting adversely remittances of the proceeds of these consignments, native dealers put a stop to consignments, and insisted on sales to arrive, settling both price and exchange at the moment. As exchange continued to fall, lower sterling bids continued to be accepted, but the silver price remained the same, and that was all the native shipper cared about. Each fall in exchange enabled a new transaction to be effected without any loss of silver price. Dealers and merchants secured the profits, and highly appreciated the situation which allowed of such active business, not considering what would happen when the "hard pan" of lowest exchange was reached.

8044. The great bulk, or practically three-fourths of the trade of India, is with gold-using countries, is it not?—At the time of the Herschell Committee the proportion was two-thirds to one-third

(*Chairman.*) Perhaps Mr. O'Conor will tell us what the actual figures were.

(*Mr. O'Conor.*) Very nearly 80 per cent. is with gold-using countries. Several countries have adopted the gold standard since then.

(*Witness.*) I am speaking of the time of the Herschell Committee. At that time the proportion was 67 per cent., so that if it is now up to 80, as Mr. O'Conor says, the trade has increased with European countries.

8045. Would you regard that as an additional argument in favour of the gold standard?—I should regard it as a strong proof that the closing of the mints has had a beneficial effect on the trade with gold standard countries.

8046. (*Lord Balfour of Burleigh.*) I do not understand that you have any actual knowledge of illicit coinage in India?—I have not.

8047. And if the testimony of officials in each of the provinces of India were to the effect that, having made careful inquiries they had not been able to trace it, would you be inclined to place reliance upon their views?—I place great reliance upon official information in India, because I know that they have means of obtaining accurate information that the outside public have not.

8048. Would not this be a fair way in which to put it, that if there were large manufactories of illicit coins that would be sure to be found out, and if there were many small ones it would be almost certain that the accuracy of the work would so vary that it would be detected in that way?—I could not say with any certainty that there is illicit coinage. I only say that many people suspect that there is.

8049. (*Sir D. Barbour.*) You said that the Government of India minute mentioned a rate of 1*s.* 6*d.* for the rupee, not 1*s.* 4*d.*?—I think there was something pointing to 1*s.* 4*d.*

8050. My recollection of it is this (and I ought to know) that the Government of India did not fix any rate, but gave a promise that under any circumstances the maximum rate should not exceed 1*s.* 6*d.*?—As I said in my evidence in chief, when I expressed an opinion that the rate which the Government should endeavour to establish should be 1*s.* 4*d.*, I was not aware that the question of the rate had been discussed in any minute that came from India; and, therefore, I afterwards read, with great interest, the minute on that subject. I was under the impression that no other rate than 1*s.* 6*d.* was referred to in that minute.

8051. Referred to as being the maximum under any circumstances?—That might be so.

8052. You do not approve of the proposals of the Government of India, I understand, because you think it would be a mistake to melt down rupees in the way they propose?—I think so.

8053. Do you think that if their policy was carried out far enough, it would result in a gold standard?—Probably.

8054. But your objection to it is that the carrying out of that policy might be attended with certain evils, the risk of which you are not prepared to run?—What I think is that the 1893 policy has worked fairly well. It has come to a point where, after several great struggles, the financial people in India see that a rate of 1*s.* 4*d.* is very likely to be established—established, I may say, on the same fixity that a 2*s.* rate was established. I have had experience in India when the rupee was 2*s.* 3*d.*, also when it was 1*s.* 10*d.*, so that when silver was recognised in the world generally as money, there was a variation of the rupee between 1*s.* 10*d.* and 2*s.* 3*d.*, according to the demand for money in India at those particular times. It had nothing whatever to do with the market price of silver, but it was a variation in exchange equivalent to the effect which is produced here by the Bank rate going up sometimes to 10 per cent., owing to some exceptional circumstances, and falling again to 2 per cent. when money becomes easy.

8055. The question I want to put to you is this. Your objection to the Government proposals is that the melting down of rupees might cause evils which you think it is desirable to avoid?—Yes, I think it would be an extreme measure, which is unnecessary under the circumstances.

8056. And might produce evils?—Might produce great evils.

8057. I do not know whether you have given any attention to what some people have called the evasion of the maximum in connexion with the sending of gold to India. They have said that when the rupee goes up to 1*s.* 4*d.*, or a little over, people know you cannot go any higher, and so they hold off their transactions?—Yes, that is what I said.

8058. Now, when exchange is high, sterling is cheap and rupees are dear. Is not that so. You get more sterling for your rupees; you get 1*s.* 4*d.* for your rupee instead of 1*s.* 1*d.*?—Yes.

8059. When exchange is high, sterling is cheap, and rupees are dear, and when exchange is low, sterling is dear, and rupees are cheap?—There are two methods——

8060. First of all, do you agree with that; that when exchange is high, sterling is cheap, and the rupee is dear; and, on the other hand, when exchange is low, sterling is dear, and the rupee is cheap?—When exchange is, say, 1*s.* 3*d.*——

8061. Or when exchange is 1*s.* 1*d.*, sterling is dear and the rupee is cheap?—Yes, of course, that is so.

8062. Now the object of a man in business is to buy in the cheap market and sell in the dear market?—You mean his productions.

8063. Anything—any man who is in business, buying and selling, will buy in the cheap market and sell in the dear?—As a general statement, yes.

8064. Consequently, if a man has sterling to sell and exchange is 1*s.* 4*d.*, and he knows that exchange cannot go higher he will like to hold on a little (if he can manage it) on the chance of sterling becoming dearer?—Yes.

8065. On the other hand, an importer who may want to sell rupees and get sterling, would like to carry through the transaction when exchange is high?—That argument applies to commodities generally, but money is not a commodity.

8066. I entirely agree, but I say that a man who has anything to sell, whatever it is, likes to get as good a price for it as he can, and if he wants to buy he likes to buy as cheaply as he can?—Of course.

8067. Then the result is that a man who has sterling to sell when exchange is very high may hold off for some time?—Yes.

8068. And by not selling at that time he tends to keep exchange down?—Yes.

8069. On the other hand, the man who wants to carry out the opposite transaction, the importer, brings forward his transaction to get the advantage of the high exchange?—Yes.

8070. And in that way he too tends to keep exchange down?—Yes.

8071. Both these men transfer the transaction from one period of time to another period of time?—That is all.

8072. By one man not carrying it out at once, and by the other carrying it out sooner than he would otherwise have done, they tend to keep exchange down when it is high, but do they not by that very fact tend to make it go up at a future time?—No doubt.

8073. So that the result is that although the exchange is kept down at one time, it is made higher at another time?—Yes, it is the same thing with speculators in futures. People "bear" the market in futures, and it creates a market for covering.

8074. So that the result of this system of evasion of the maximum, is simply to keep exchange down when it goes to the maximum, and to keep it up when it tends to go to the minimum?—Yes. But the very fact of these speculative transactions depressing the market more than it ought to be depressed under the normal state of things creates a want of confidence in exchange. That is the evil of it. It is undesirable that a country should be subjected to these speculations.

8075. I agree, but I wanted to bring that out, that that system of evading the maximum has the effect, not of lowering the average exchange of the year, but of lowering the maximum and raising the minimum?—Just so. Of course, when you cannot get above a certain maximum and you can make any minimum, as in the present state of things, the principle of forward speculative transactions does not so much apply, because we have a system which prevents them being cornered and the price going up against them.

8076. Now if the ultimate result of this evasion of the maximum was to be this, that in the slack season somebody found that in order to cover himself he had to import gold into India, that would create great confidence in the future of exchange?—Yes.

8077. (*Sir J. Muir.*) You referred to the stringency in Bombay recently?—And in Calcutta too.

8078. What was the Bank of Bengal rate?—12 per cent., I think.

8079. Was it not 13 per cent.?—It might have been; I am sure it was 12 per cent.; it might have been 13.

8080. But that was not the measure of what merchants in Bombay had to pay for money. Is it within your knowledge that merchants in Bombay took Government paper to the manager of the bank and asked for an advance in the ordinary course of business against that paper; they were refused at first at 13 per cent., and then they said "At what rate will you lend it to us?" And the answer was "We cannot lend it to you at any rate." They

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said "We have engagements maturing, and we must "have the money or we shall be bankrupt; we will "give you anything, up to 18 per cent." Have you heard of that?—So we have been informed. And further than that, I have heard it stated that you could not get rupees in the bazaars, upon gold bars, at 25 per cent. from the bullion dealers.

8081. Being an Indian merchant, you know that this has been an exceedingly sore point to all the merchants in Calcutta, Madras, and Bombay?—No doubt.

8082. In 1893 you said there was redundancy of currency?—Yes.

8083. What evidence is there of that?—There was an enormous amount of silver shipped out to India without any sufficient cause, except the operation of the Sherman law. People thought that exchange, which was then low, would be going up to 2*s.*, and there was an immense amount of silver sent out for no other purpose but to get the expected profit on exchange. The Sherman Act did not have the effect expected, and the pendulum swung in the opposite direction.

8084. Now, I am not satisfied that there was any redundancy in 1893, that is to say, that there were more rupees in circulation than were needed?—That could be proved by the amount of silver tendered at the mint and the issue of Government notes; that could be proved officially.

8085. Still, we have no proof of that, that is to say, the merchants of India, the majority of them, say that there was no redundancy of currency in 1893. Now, where is it visible; where is it made patent?—I think Mr. O'Conor can best answer that question.

8086. Mr. O'Conor is coming before us to-day, but I am satisfied about it, as far as I can gain any information, and I should like you to show me where there was any redundancy in 1893?—It is placed on the records of the Herschell Committee, I think, that there was a redundancy, by the statement of the immense amount of silver that had been sent to India in the preceding 12 or 18 months, and also by the great increase in the issue of Government notes. I will not undertake to give the Committee anything further than my own experience.

8087. Then you said that you objected pretty strongly to 12 crores of rupees being withdrawn from circulation now and melted?—Yes.

8088. Is not that going a little on the same lines that the Government of India have been going on in the last five years, that is to say, they have refused to coin any more silver? It is just going a little further in what some of us regard as the wrong direction, but you would call a halt now?—Whereas I am satisfied with the positive policy; I will not adopt the negative.

8089. You think they would not have got the rate up to 1*s.* 4*d.* unless they had closed the mints?—I think not.

8090. Therefore, this has been a despotic interference with the ordinary course of business?—No, I do not agree with you at all in that view of the matter. The first duty of any civilised country is to attend to the currency. Currency laws are made by Government. The currency of India was established in 1835, when silver occupied an entirely different position in the world to what it did after 1874. When the Government find that they have a currency based upon conditions that have been entirely altered, I think it is the duty of the Government to alter its currency laws to meet those conditions, and it was not any arbitrary interference with what some people call the natural state of things, but it was a duty thrown on the Government to protect the interests of India generally, and not to allow one class of investors or traders to benefit by the loss of another; currency laws are artificial, not natural laws.

8091. You said that in your experience you had had the exchange at 2*s.* 3*d.*?—Yes.

8092. So have I, and at 2*s.* 2½*d.*, and as low as 1*s.* 10*d.* There was no necessity then, was there, for interference?—That was only for a very short time, and under special circumstances. Sometimes you have the bank rate at 10 per cent., and I have known the Bank Act to be suspended on that account twice.

8093. Once, I think, in my time?—Well, if it was not actually suspended, permission was given to issue notes, but you do not want to legislate for exceptional circumstances of that kind.

8094. That was brought about by natural causes, and there was no interference by Government to force the rate up to 10 per cent.?—I do not think there was anything natural about that.

8095. Did the Government do anything?—The Government did not do anything, because there was known to be a temporary pressure for money which in the ordinary course of business would settle itself, just as the exchange in Bombay went back from 2*s.* 3*d.* to 2*s.* as soon as there was time for remittances from London to reach that place.

8096. We were talking of England. The suspension of the Bank Act was brought about by excessive speculation on the part of money houses in various parts of the country. The Bank Act was suspended, and immediately was restored. Now that state of affairs in London was not brought about by any interference on the part of the Government?—No.

8097. They did not force the rate up for any objects of their own?—No.

8098. What the merchants of India complain of is that the Government in India have taken steps, whereby they forced the rate to 18 per cent.?—I only wish to say that it was not the action of Government which produced the state of things you refer to, but the basis of the currency fell away, and Government had to repair the breakage.

8099. In other words what you call redundancy in 1893 has been turned in 1898 into stringency?—Yes, but the trade could have got any amount of rupees if they had tendered gold to the Bank of England.

8100. The redundancy has been turned into stringency by the action of the Government in closing the mints?—Yes.

8101. The fourth reason you gave for saying that the rate was fair, was "because a higher rate would have "put too great a strain upon the new interests which "had been allowed to grow up upon the faith of the "existing state of the currency of India." What are those new interests?—Those new interests were, all the people who had been trading on a basis below 1*s.* 4*d.*

8102. We have been receiving numerous communications from the Indian Tea Planters' Association in London, a very strong body, representing, I am told, 25,000,000*l.* of capital sunk in tea planting, and representing a very large body of shareholders all over the United Kingdom. They feel that they have a very strong grievance here. That is to say, because they started with large capital, having, of course, no anticipation that Government were going to fix the rate at 1*s.* 4*d.* So far as their operations are concerned, you will see that the difference between 1*s.* 4*d.* and 1*s.* 2*d.*, which they held ought to have been the rate, makes a vast difference to them in laying down funds in Calcutta to pay the wages of their coolies. At 1*s.* 2*d.*, of course, they would get far more rupees than at 1*s.* 4*d.* What is your opinion upon that?—My opinion is very clear upon that point. In the first place, the tea industry of India commenced long before the fall of the rupee, and a great deal of the capital that was sent out to start the Indian tea business was sent out at a very much higher rate of exchange. People engaged in these early operations had no right to expect a profit from the subsequent abnormal state of the currency. It was an accidental profit quite unconnected with the tea industry, and they could always secure themselves by making forward contracts in exchange. Then, again, the largest of the Ceylon tea companies have been brought out in the last two or three years, when the promoters knew perfectly

well that the Government was endeavouring to establish a 1*s.* 4*d.* rate.

8103. Which company do you refer to?—I dare say you know many of the companies. Their names can be found in the Stock Exchange lists.

8104. I do not know as to that, but I know that the planters of Ceylon and India complain bitterly that they are unjustly used, and that this is hard upon them?—But let me say that it is an unreasonable complaint: it is not a profit that they ought to have expected on the tea industry, but it is a profit on exchange.

8105. You did not answer my question. Suppose that I sell a bill on London when exchange is 1*s.* 2*d.*, will that be an advantage to me as compared with my having to sell at 1*s.* 4*d.* to lay down the wages of coolies in Calcutta?—I have no doubt what you say is quite right, that if they can get exchange at 1*s.*, they will get their money out at a much greater advantage.

8106. Is not a tea-planter entitled, when he puts his money into the soil, to expect that the Government will not, in an arbitrary manner, fix an arbitrary rate?—But the tea-planter put his money into the soil when he had no reason to expect that he would make this profit.

8107. He took the chance of its going up or down; he knew the rate had been 2*s.*?—He knew the rate was 2*s.*; a great many of them put their money in at the rate of 2*s.*, and then it went down to 1*s.* 4*d.* It was entirely accidental.

8108. You are talking of the people who put in their money 25 years ago, but men who put in their money 25 years ago are in a different position?—The great point is that the trade has been very largely extended since 1893. Properties have been bought and the trade has been very much extended, when they knew that the Government was endeavouring to establish a rate of 1*s.* 4*d.*, so that they have no right to complain.

8109. What about the people who put in their money when the exchange was 1*s.* 9*d.*?—I do not think there are many of them.

8110. (*Chairman.*) I suppose they would make a greater profit if the exchange went down to 2*d.*?—Yes, and then they would not be satisfied.

8111. Is it the profit on a depreciated currency?—It is the profit on a depreciated currency, and not a legitimate profit to the industry.

(*Sir J. Muir.*) I am afraid you are not justified in saying that they would not be satisfied, because I think none of them would desire to see such a rate or believe it possible.

8112. (*Sir C. Crosthwaite.*) Am I right in understanding that you said that when a maximum rate of exchange for the rupee was established, it would have been advisable to establish a mimimum rate at the same time?—I will not go so far as to say that it would have been right to have established a minimum. I do not think the Government would have been justified, not knowing their responsibilities in doing that; but I say that now, having had the experience of 5 years, we have got to a point where it is practically possible to establish a minimum rate without any great responsibility.

8113. How would you do it?—Somewhat after Mr. Lindsay's method.

8114. In relation to the stringency of the money market in Bombay, you mentioned the fact that merchants within your knowledge could not borrow rupees on gold at 25 per cent.?—So I have been told by letters received from Bombay, it is not within my own knowledge.

8115. I want to know why, under those circumstances, they did not take the gold to the Treasury and buy rupees at 15 to the sovereign; would it not have been cheaper?—I cannot tell you why they did not, except that they thought, as many people did, that the rupee would be 1*s.* 3*d.* in August. There was a very strong feeling on the part of many people: large transactions were entered into on the basis of 1*s.* 3*d.* or thereabouts. It was want of confidence that prevented people taking their gold.

8116. And the feeling that if they did put gold into the Treasury they could not be certain of getting it back?—Just so.

8117. (*Mr. Hambro.*) You spoke of the price of forwards as one of the signs that people did not believe in the rate fixed. The present rate is about 1*s.* $3\frac{1}{16}$*d.* Have you any idea what forwards are now?—I do not know. I do not hear much of that.

(*Mr. Campbell.*) It is 1 per cent. up to December.

8118. (*Mr. Hambro.*) You spoke of a duty on silver to make it equivalent to the exchange of 1*s.* 4*d.* Did you mean to fix that duty now, or did you mean to have a moveable duty which would move with the price of silver?—First of all, I may say the principle is one thing, and the method of carrying it out is another.

8119. But there are two principles there?—The principle of making silver equivalent to the rupee at 1*s.* 4*d.* is one principle. How to do it is another thing.

8120. But had you in your brain the idea of an import duty, moveable or fixed?—I think it should an *ad valorem* duty.

8121. I wanted to know whether you meant an *ad valorem* duty or a fixed duty?—An *ad valorem* duty.

8122. (*Mr. Holland.*) Did I understand you to say that an alteration of exchange affected the gold price in various commodities?—Yes.

8123. In such a commodity as cotton, for instance; do you consider that an alteration of exchange affects the gold price?—In this country?

8124. Yes, here?—Certainly.

8125. Do you not think that the question of the supply of American cotton is the all-important factor in affecting the gold price?—That is only one of the factors. I say that, all other things being equal, year by year the fall of exchange will very much affect the gold price. Suppose American cotton were the same amount this year as last year, then a fall in exchange would make Indian cotton cheaper in Europe.

8126. You told us that you were in favour of closing the mints in 1893. Has the subsequent experience that has been gained on this subject changed, in any way, your views?—It has very much confirmed them.

8127. Then the closing of the mints as a policy has had the effect that you anticipated?—Yes.

8128. Do you consider the present stringency in the money market has been caused at all by the closing of the mints?—Yes; but the closing of the mints was to be a tentative measure, followed by a further measure. We have now got to the time when I think that that further measure should be put into operation.

8129. And do you think the putting into operation of the further measure would relieve the stringency which everyone admits and deplores?—Most certainly. If people saw that they could get 5 per cent. in India, and only 2 per cent. here, and they saw a reasonable prospect of getting their money back without any great loss by exchange, they would send money out and get 5 per cent. there instead of 2 per cent. here.

8130. I understand that you agree with Mr. Arthur in thinking that it is better not to fetter the Government with recommendations?—It is best not to have any cut and dried scheme. It is for the Government to formulate a scheme that they think will work.

8131. You would give the Government a free hand?—Yes.

8132. But you object to the proposals that the Government of India have made?—I do not agree with all of them.

8133. May they not be taken as indicating what the Government of India would do if they had a free hand?—But, because I disagree with them, that is no

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reason why their policy should be wrong. It is a matter of opinion.

8134. You have told us that in 1893 you thought there was some redundancy of currency. Do you express an opinion as to whether or not there is redundancy now?—I think that the redundancy is worked off, and that we have got to the point where, in the words of the Government of India, there might be a redundancy at one time and a stringency at another.

8135. Do you think it important that currency should be elastic?—Yes.

8136. If rupees were melted down, does not that interfere with elasticity?—Unless you provide some other means.

8137. You are in favour of a duty on silver equivalent to 1*s.* 4*d.* The effect of that would be, as you state, to affect the value of all silver hoards, but would you contemplate, at the same time, the re-opening of the mints?—No.

8138. Then what advantage would you expect from that?—This very great advantage, that, whereas some 6,000,000*l.* or 7,000,000*l.* of silver go to India as an import, that would be very considerably reduced, and the exports then would exceed the imports of India by the amount of the diminution in the import of silver.

8139. And the Government revenues would be benefited in that way?—The Government revenues also would be benefited.

8140. Then if you would still keep the mints closed it is, perhaps, useless to ask you about seignorage?—I am very strong indeed that it would be unwise for the Government, both from the point of view of trade and from the point of view of the political relations of England and India, to go back to opening the mints. I think that such an important portion of the British Empire as India is, should have the same standard of valuation as England.

8141. Do you admit that silver-using countries have an advantage in foreign competition with India by the fall of silver—China, and so on?—They must have. The most important of the silver-using countries is China, but my opinion is that with the development of China by European influences, and the settlement of this business in India, very likely China will follow suit.

8142. (*Chairman.*) With the full knowledge of this competition with silver-using countries you adhere to your opinion?—I do, because the interest is as 80 to 20.

8143. (*Sir A. Dent.*) When you gave your evidence before the Herschell Committee you told us that you recommended the 1*s.* 4*d.*, and that exchange was then about 1*s.* 2*d.*?—Yes.

8144. Silver, I think, then, was about 3*s.* 3*d.*—it was anyhow over 3*s.*?—Yes, it was over 3*s.*

8145. Now, what is it?—27$\frac{7}{8}$*d.*, I believe.

8146. Is it your opinion that the new exchange to be fixed may be entirely independent of the price of silver?—Yes.

8147. (*Mr. Campbell.*) You say that your experience in the past five years points to 1*s.* 4*d.* as the suitable rate?—Yes.

8148. Of course, you are aware that it is only within the last two years that exchange has approached 1*s.* 4*d.*?—Yes.

8149. In the first two years after the mints were closed exchange went down to below 1*s.* 1*d.*?—Yes.

8150. I suppose it must be on the experience of the last 2 years that you rely in saying that 1*s.* 4*d.* is the suitable rate?—I think I explained that in my evidence in chief—that in the first year there was no rise to be expected because of the redundancy, but in the second year a slight portion of the redundancy disappeared, and in the third year a little more; then came the two periods of famine, and it has been only the last year or year-and-a-half when you may say that this new system of the Government has had a fair chance, and, as I say, the effect of the last two years has been confirmatory of the opinions that I held in 1893.

8151. Do you call years of famine and war and plague normal years to go by?—I say if there had been an ordinary crop and if the trade of India had been normal and not abnormal, this 1*s.* 4*d.* rate would have been reached sooner than it was reached.

8152. Are you aware that last year the Council bills were very much curtailed?—Yes.

8153. Do you think that had no effect in raising the rate to the neighbourhood of 1*s.* 4*d.*?—Not a greater effect than the cessation of exports. The diminution of drawings was counteracted by the curtailment of exports due to the famine.

8154. You also say that, in your opinion, exchange has no effect on trade?—On export.

8155. On trade generally?—On the export trade, I said.

8156. Then has it no effect on the export trade, and yet an effect on the import trade?—It tends to improve the import trade.

8157. Without affecting the export trade at all?—I can only say that, looking at the volume of the exports from India while this rise has been going on, you cannot say that it has interfered with the export trade.

8158. But do I understand you to say that it does not matter whether exchange is 1*s.* 4*d.*, 1*s.* 8*d.*, or 1*s.* 2*d.*, that trade will go on irrespective of that?—I think it will. It went on at 2*s.*

8159. Notwithstanding tight money, gold has not gone out to India as currency?—No.

8160. But you are aware that it has gone out to India in large quantities for sale at a higher value than the Government was offering?—Yes.

8161. Do you think that if the Government had offered 16 rupees for a sovereign instead of 15 rupees that would have attracted gold to India as currency? I think not. Until you had settled a basis of exchange at which it should be brought back, I do not think it would.

8162. Regarding trade with China, of which you have a large experience, has that been affected?—Very seriously.

8163. And permanently affected, do you think?—I hope that in time they will put their exchange right in China by establishing a civilized system of currency.

8164. But unless they do that the trade must be very seriously affected?—I question very much the opinions of those people who think that China is going to be a great competitor with India. For the very same reason that people will not send gold out to India, because they do not know exactly at what rate they will get it back, so, I think, they will be found very timid in sending out gold to China.

8165. With regard to a heavy import duty on silver, what effect would that have upon the price of silver in this country?—Theoretically it ought to send it down because it would curtail the demand; but that is not a question for me.

8166. Suppose it did send it down, that would accentuate the difference which now exists between India and China, inasmuch as China is on a silver basis, and India on the basis of the enhanced rupee?—Certainly.

8167. And to that extent it would still further add to the injury to India's China trade?—Yes.

8168. (*Mr. Le Marchant.*) You referred to the withdrawal of capital from India when exchange touched, or approximated to, the maximum point. Do you regard that as having affected the money market, and the rate of discount?—I think that that must have diminished the current supply of money in the financial centres.

8169. In fact, money in India changed hands—it passed into different hands that could not possibly use it for the same purposes of loans and discounts?—

That money was lying in India in banks, or in some investment or other that became available for money supply; when it was transferred to this country by a bill of exchange, the rupees which passed in payment by the bill, very likely went up country to pay for produce, and so reduced the loanable supply of money.

8170. In short, it was a material fact—not a formal set of book entries?—It was a material fact.

The witness withdrew.

Mr. EWEN CAMERON called and examined.

8171. (*Chairman.*) You are the manager of the Hong Kong and Shanghai Bank in London?—Yes.

8172. How many years have you been at the head of that bank?—In London I have been for eight years.

8173. How long have you been connected with the banking of India?—For over 30 years in India and China.

8174. I suppose you are not authorised to represent the bank here as a bank; you are simply giving us your individual opinions?—My individual opinions.

8175. And your directors will be in no way bound by what you say?—In no way.

8176. Now, were you in favour of, or opposed to, the closing of the Indian mints?—I was opposed to the closing of the mints.

8177. Will you tell us why?—I thought it would interfere with the natural course of trade in India.

8178. In your judgment, what have been the effects on the trade of India of the closing of the mints?—The trade of India, to begin with, suffered, but since then the trade has adjusted itself, and has been going on more satisfactorily.

8179. Do you mean that there was a temporary injurious effect which has now been met by a general re-adjustment, and that trade has now resumed the normal condition?—I think, to a certain extent, trade has resumed its normal condition. It has been interfered with by abnormal seasons of late and also by the great monetary stringency, which I attribute to the closing of the mints.

8180. Is there a want of confidence in the future of the Indian currency?—I think not. Misgivings have been felt in some quarters, but, speaking generally, I think there is no want of confidence in the future of the currency of India.

8181. Will you give us a little information as to the recent stringency? Just state, from your own point of view as manager of the Hong Kong and Shanghai Bank, what was the extent of the recent stringency of money in India?—I am not competent to speak of what is going on in India generally, but it is a well-known fact that the bank rate was 13 per cent., and that great inconvenience was caused to trade by the excessive rates—that merchants could not get accommodation at reasonable rates.

8182. Do you think the reason why they could not get accommodation was entirely the scarcity of currency?—Undoubtedly.

8183. You are aware that they could have obtained additional currency by either importing or depositing gold?—Yes.

8184. Why did not they avail themselves of that?—Large quantities of gold were imported, but the Government price was below what could be got for it in the bazaars.

8185. Do you think the mints should be re-opened?—I do not.

8186. Do you think that that would be injurious to the trade of India?—I think it would be very injurious to the trade of India, to begin with. It would dislocate trade entirely, for a time.

8187. You are aware, no doubt, of the various policies that have been proposed—the proposals of the Government of India and the proposals of Mr. Lindsay. What is your opinion as to the proper policy that should now be adopted?—I have a strong idea that sufficient time has not yet elapsed from the closing of the mints to form a positive opinion, or to formulate a policy. Even under ordinary circumstances, after such a radical change as the closing of the mints, five years is too short a period, and of those five years two have been very abnormal years owing to famine and plague, consequently I think we are not yet in a position to form an opinion. My own idea is that the formation of this Committee has been premature; but as it has been formed, my idea is that it should adjourn from time to time and gather information, and issue its report two years hence.

8188. I am afraid that that would be arrogating to ourselves the functions of Government. As we are appointed by the Government, it is our duty to make a report. However, I understand your point is that sufficient time has not elapsed for the fair trial of the experiment?—Exactly.

8189. The experiment (you will correct me if I am wrong) being to make silver coins in India a token currency, and, by some means or other, endeavouring to have a fixed rate of exchange of 1*s.* 4*d.*?—Exactly.

8190. That experiment you would wish to see tried a little time longer before you express an opinion favourable or adverse to it?—Yes.

8191. Have you any opinion of your own with reference to the desirability of a gold standard for India?—I think a gold standard is desirable if you can fix the ratio between gold and the token coin at a rate that would be advantageous to India.

8192. Have you any idea of your own what the rate should be?—I think we have not had sufficient experience. It may prove to be 1*s.* 4*d.*, as the rate is tending to 1*s.* 4*d.* just now; but there is evidence, judging from the last five years, that 1*s.* 4*d.* is too high. No gold has been sent in to the Government. Although large quantities of gold have been sent to India, the Government have not got any of it.

8193. Do you think if the rate were fixed at 1*s.* 3*d.* they would have got gold?—Possibly; it is more likely than at the higher rate.

8194. Have you thought at all of the possibility of a higher rate than 1*s.* 4*d.*—say, 1*s.* 6*d.*?—No.

8195. Now I am going to your China experience. Do you consider that India is handicapped in competition with China to the extent of the difference between the bullion and the exchange value of the rupee?—No; not to that extent.

8196. To any extent?—To some extent.

8197. What is the currency of China?—We have had no authoritative information upon that point. Theoretically, and to some extent in practice, copper cash is the currency of China. In all retail transactions, copper cash is the standard of value. For large transactions silver Mexican dollars and the Carolus dollars are used. The Carolus dollars are the old Spanish dollars.

8198. Where are they coined?—They were coined by Spain, but they are almost extinct.

8199. For retail purposes the currency is copper cash?—Yes. When the European merchant buys from the Chinese dealer, he pays in silver; the native dealer with that buys dollars and copper cash to pay the growers for their produce.

8200. Do you think that recent political events will have such an effect on the trade of China as will result in a new development altogether?—I think so.

8201. Would that, do you think, at all affect the currency?—The currency of China will have to be reformed when that takes place.

8202. Have you any opinion as to the benefit or the disadvantage of a falling exchange on trade?—My opinion is that a falling exchange does benefit trade.

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8203. To any great extent?—It is only one element in many conditions that help it, but it tends to do so.

8204. (*Sir F. Mowatt.*) Did you say a falling exchange or a fall in exchange?—Well, a fallen exchange—a low exchange.

8205. A permanent low exchange, and not a falling exchange?—Yes.

8206. (*Chairman.*) Seeing that the closing of the mints has, apparently, not had the effect of stopping the import of silver, are you in favour of the Government adopting any policy to impose a duty on silver?—No; decidedly not.

8207. Do you think that that course would involve a serious fall in the price of silver?—It would involve a serious fall in the price of silver.

8208. And that, I suppose, would dislocate our trade with silver-using countries?—It would. Before the closing of the mints the trade with silver-using countries, as we have heard here to-day, was one-third, now it is only 20 per cent. If a further serious fall in silver takes place, I think there is great danger of losing the trade entirely.

8209. As a banker, have you any strong objection to the Government withdrawing a large quantity of silver from circulation and melting it?—Decidedly.

8210. You object to that?—Yes, strongly.

8211. (*Mr. Campbell.*) You say you think we have not had sufficient experience yet to judge of the proper course to follow with regard to the currency?—That is my opinion.

8212. But you are aware that money has been exceedingly tight in India during the last two years?—Yes.

8213. I suppose you agree that, in all probability, if nothing is done, the stringency will be repeated, and be worse this year and next year?—Yes, that is my opinion.

8214. Have you any idea of mitigating that in any manner while we are waiting, according to your suggestion?—That is a question I am not prepared to speak of with confidence, as of late I have not had much experience of purely Indian finance. I notice, however, that, similarly to our experience in this country, the in-gathering of the revenue in India tends to deplete the money market for the time being. The months when the Government balances stand highest coincide with the shipping season, and the influence of trade and revenue collection coming together naturally tends to make money dear. I therefore think that there ought be no great difficulty in devising a scheme by which the Government balances should be made available to relieve the situation during the busy seasons; the withdrawal of these funds later on would prevent undue ease during the slack season, and so tend to keep a more even rate all the year round.

8215. The money is kept in the Treasury just at the time when trade wants it most?—So I gather from the statistics.

8216. And if it could be made available for trade purposes at that time, it would prevent the extreme stringency we have seen?—Yes.

8217. Of course, you are aware that the Government now at the busy season let out their balances very freely by selling Council bills?—Yes.

8218. In addition to that, how would you make the money available to the market?—I think it might be done through the Presidency banks against Government paper.

8219. You would lend the surplus balances to the Presidency banks against Government paper?—Yes.

8220. And they, in their turn, would lend out the money to their customers as they wanted it?—Yes.

8221. Then when the busy season was over, I suppose these loans would be re-called?—That would be the idea, to re-call the loans and so tighten money up again in the slack season.

8222. So as to get money as near as possible at an even level throughout the year?—Yes.

8223. You say that no gold has gone in as currency to India since the mints were closed?—Practically none, because it always fetched a better price in the bazaar.

8224. Do you think that there would be more probability of gold going in as currency if the Government offered a better price for it?—There I must come back to my first idea, that we have not had sufficient length of time to come to a decision, but seeing that it did not come in at 1*s.* 4*d.*, I think it is only fair to assume that it would have a better chance at a lower rate.

8225. I suppose you admit that the fixing of the ratio is a very important part of the whole affair?—The most important part.

8226. What is your idea of how that proper ratio should be arrived at?—After the experience which I wish to have and the evidence I suggest that you should collect, we shall be able to form a conclusion. If gold begins to flow into the Government Treasury at 1*s.* 4*d.*, then I think 1*s.* 4*d.* should be the rate. If we find that gold does not come in at 1*s.* 4*d.*, then we must assume that a lower rate is necessary. The rate at which gold flows freely into the Government treasuries I take it to be the correct rate.

8227. Then you would be guided by experience?—I should be guided by experience.

8228. You would rather be guided by experience than, say, that the Government should fix upon a rate of their own, and force that rate on the market by artificial means?—Decidedly.

8229. We have heard a good deal about the example of Japan, which went on a gold standard some time ago, and we have been told that Japan is losing her gold. Have you any idea of the condition of Japan as regards her trade balances?—Last year was an abnormal year for Japan as well as for India. There was a scarcity of rice which compelled them to import very largely and put the balance of trade against Japan.

8230. That is exceptional, of course?—That is exceptional.

8231. I do not know whether you noticed in last week's "Economist" some particulars of the foreign trade of Japan?—I did not see it.

8232. The foreign trade of last year showed a balance of imports as against exports of merchandise of 56 million yen?—That I can quite understand.

(*Chairman.*) What would that be in sterling, roughly?

8233. (*Mr. Campbell.*) It would be about six millions sterling. That is the balance of trade against her?—Yes.

8234. Then, this year, for the four months the surplus imports of merchandise have been no less than 50 million yen. On the other hand, she has exported gold to the extent of 44 million yen. With a balance of trade such as that against her, are you surprised that Japan is losing her gold?—Not at all.

8235. It is the natural thing?—It is the natural consequence.

8236. The silver yen was called in when the gold standard was adopted?—Yes.

8237. And a large proportion of the yen have been exported to other silver-using countries?—Yes, a large proportion.

8238. Is there much of the yen left in Japan, do you think?—We cannot tell positively, but as far as our information goes, there are still 30 millions of yen available for sale.

8239. Does that include subsidiary currency?—No.

8240. Have you any information as to the amount of yen in circulation when the change was made?—No. On account of the large exportation of yen to Singapore and the Straits and different places, we have no means of arriving at that, but the total amount of yen coined by the mint amounted to 168 millions.

8241. That is about 20 millions sterling?—Perhaps not quite so much.

8242. (*Sir A. Dent.*) Since when is that?—Since the mint was opened.

8243. (*Mr. Campbell.*) I suppose, during these years, since Japan demonetized the yen, a very large amount of silver must have been sold in that form?—A considerable amount.

8244. (*Sir F. Mowatt.*) In Japan, do you mean?—Sold by Japan.

8245. (*Mr. Campbell.*) Do you think an amount sufficient to have a very appreciable effect on the price of silver in the world?—As a matter of fact, since Japan commenced to sell, from other causes silver has been going up.

8246. But if Japan had not been selling, might not the rise have been more pronounced?—Distinctly. It has been a factor, and a very important factor, in the price.

8247. Now that that is really at an end, of course that factor will cease?—That factor will cease, and silver will have a better chance by so much.

8248. You say that the chief currency of China is copper cash?—For retail transactions. For large transactions it is silver.

8249. That is to say, the European merchant pays silver for the silk or tea that he buys, and the seller of the silk or tea has to convert that silver into copper cash?—The native merchant converts it into copper cash through which he pays the small grower. The grower gets his payment in copper cash.

8250. How is the value of copper cash now as compared with what it was five or six years ago?—Since the closing of the mints, copper cash has advanced about 15 per cent., that is, speaking generally—it is quite 15 per cent.

8251. The same amount of silver would buy 15 per cent. less of copper cash than it did before?—Yes.

8252. To that extent has that reduced what you may call the handicap on India as compared with China?—Certainly.

8253. Are there any other charges which go to diminish that handicap?—There is an export duty on produce in China.

8254. Tea and silk have to pay an export duty?—Yes, tea especially suffers very much as the export duty is not *ad valorem*, but by weight, and consequently while it is comparatively light on high priced tea, it is very heavy on common and cheap grades.

8255. With these two influences, the higher price of copper cash and the export duty, the handicap is very much diminished?—As regards tea, yes.

8256. As regards tea or any other produce?—I do not know that there are other articles that compete very much with India. Tea is the principal thing; silk to a very small extent.

8257. Have you any idea of the extent of these export duties?—I will put it in this way. The price of tea varies from 70 taels to 8 taels per picul, and the export duty is a little over two taels per picul On a 70 tael tea the export duty is small, but on an 8 tael tea it is 25 per cent.

8258. Would 10 or 12 per cent. be a fair average? I should say 15 per cent.

8259. Then, taking 15 per cent. for export duties and 15 per cent. for the higher price of copper cash, the handicap is very considerably diminished?—But the exchange has gone down by 36¼ per cent. since the closing of the mints.

8260. There is still a large margin?—No, there is very little margin; you have 15 per cent. and 15 per cent., making 30 per cent.

8261. (*Sir A. Dent.*) Then there is the likin?—That is included.

8262. (*Mr. Hambro.*) You say that the price which ought to be fixed for the rupee ought to be somewhat determined by experience of what exchange does; but has not the Government rather burnt its boats, so to speak? I mean, having fixed a maximum, is it not very difficult to find out what the exchange suits itself to? If you removed the maximum, you would find out; but as long as you have the maximum of 1*s.* 4*d.*, as soon as it gets near that, every conceivable plan is adopted to try and evade the maximum?—Exactly.

8263. Therefore, if you wanted to get at really what exchange would go to, you would have to remove the maximum?—I see the difficulty of the Government in doing that; but once they arrive at the correct rate of exchange, the difficulty will be got over.

8264. It would have been easier if there had never been a maximum fixed?—But they wanted the gold to go into the country.

8265. But they never got any?—They never got any.

8266. Perhaps they would have got it the other way more easily. I only want to know whether, to get at the exchange, you would remove the maximum, and, as Mr. Bertram Currie proposes, leave it to arrange itself?—Theoretically, that is right.

8267. If you put a limit on one side and on the other, you never quite know what you can do?—Just so.

8268. Would you advise, then, the taking off of the maximum?—No.

8269. Now that the maximum has been put, you would keep it?—Yes.

8270. (*Mr. Le Marchant.*) Do you think it would counteract the prejudicial effects of a fixed maximum if Government were to undertake to give gold or sterling for rupees at a fixed minimum?—I think if a minimum were fixed it would give confidence; but, as I said before, until we have by experience found out what is the rate that suits the country, that cannot be done. When that is arrived at, then we should fix a minimum as well as a maximum.

8271. You were speaking of some measure to keep discount rates at a more even level throughout the year. Supposing anything of that kind were possible, would it be consistent with a favourable rate of exchange—would it interfere with the rate of exchange in any way?—Do you mean the lowering of the rates of discount?

8272. Yes, on the average?—The tendency of exchange is to get easier with cheaper money.

8273. Do you think lower exchange is a direct result of cheaper money, or that they both arise from the same set of circumstances?—From the same set of circumstances.

8274. In speaking of Japan and the loss of gold by the Government, may that have been caused by exceptional expenditure on the part of the Government? They have had a period of expenditure on reforms, and so forth?—As a matter of fact, I think that that exceptional expenditure has been met by the indemnity that they get from China. Really the gold was exported to adjust the balance of trade.

8275. There may have been excessive expenditure on the part of the whole country. The balance of trade being against it shows that the country has been taking imports to a very considerable amount without corresponding exports?—There are exceptional reasons for that this year. There was a scarcity of rice, and there is a prospect of the revision of the tariff, which has stimulated imports.

8276. If such a development of China took place as you speak of as being possible, would that lead to an introduction of foreign capital into China? It would hardly be possible without it, would it?—China must have foreign capital to develop it.

8277. If that came in largely from gold-using countries, would it lead to an adjustment of prices, an alteration of prices in China? Do you think prices in China would gradually rise?—The prices of commodities, you mean?

8278. Yes?—It is difficult to say, there are so many causes that affect prices The price there has to correspond with the price here to some extent.

8279. But the more China is brought into relation with foreign countries that use gold, there will be more conditions bearing on the alteration of prices?—The more she exports, I take it, the cheaper prices will become. China, so far, has only the benefit of low exchange and cheap labour. Later on, the

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country will be opened up, and communication will be cheaper; we know that in India cheap communication has helped enormously to develop the trade of the country. So far, China has had very little but the exchange to help her in competing with other countries.

8280. Do you think that, if she had something more, if she had capital, there would be a greater tendency towards an equalization of prices in China with prices in other countries?—I think so; but then, again, probably we should consume more on this side; there might be a greater demand. That we shall get more produce from China in time there is no doubt whatever.

8281. (*Sir A. Dent.*) You said the difference in the copper cash now as compared with some years before was only 15 per cent. Is there not evidence in the Consular Reports and other documents that more often it is considerably greater than 15 per cent.?—It varies very much, no doubt. I have taken my figures for one month in each year since 1893.

8282. Then that copper cash is a very uncertain coin: it has depreciated very much in China?—Yes; there is no standard such as we have with the silver coin.

8283. It is adulterated with lead and sand and all sorts of things?—Yes.

8284. So that sometimes the difference is more than 15 per cent.; it might be 30 or 40?—In some places, no doubt.

8285. Have you heard anything of the Foochow Tea Improvement Company?—Yes, it was established last year.

8286. It is a very small concern, is it not?—And consequently, I understand, it has not been the success that was anticipated. First of all it was a success, but there has not been a sufficient quantity of tea treated to make a market for it.

8287. China, owing to the way she is piling up debt, will very soon have a question to solve, such as India has, as to large remittances home?—Certainly.

8288. And that will probably force her into some new currency system?—The first thing that will force China into a new currency is the construction of railways under European administration. There are several mints established in China, but not a national mint. Several of the viceroys establish mints of their own for coining silver into dollars and subsidiary coinage.

8289. Are they taken freely in China?—Only locally.

8290. As regards the stringency of money, we have often been told here that it is in a measure owing to the banks having sent their capital home. Can you give us an opinion about that?—I think the fact of the banks sending capital home cannot have had very much effect. In the first place, the capital of the exchange banks could not have been very large as compared with the trade of the country. As far as regards the bank which I represent, our capital has not been removed from India; it was not comparatively a large amount that we had, and it has not been removed. Our capital is on a silver basis, and it naturally remains there. As regards other banks, perhaps Mr. Campbell can tell you better than I can, but as a rule I think the capital held by the banks in the East has been taken away. But, on the other hand (I am also open to correction here), I believe the fact remains that all the exchange banks now employ in India as much money as they ever did. The removal of the capital from the East is more or less a matter of book entry.

8291. The capital which was formerly applied in rupee form is now applied in gold form?—Exactly.

8292. As a matter of fact, very nearly all the capital of the banks was remitted home years ago?—Yes.

8293. It was in the case of the Chartered Bank of India, Australia, and China, and I believe the National Bank and the Mercantile bank, too?—Yes.

8294. The money of the Chartered Bank was remitted at least ten years ago?—I think you may say the same of all the other exchange banks.

8295. (*Sir D. Barbour.*) You know, of course, that India has always been liable to have high rates of discount at certain periods of the year—in the busy seasons?—Yes.

8296 And sometimes, before the mints were closed, those rates of discount have been very high?—Yes.

8297. But the high rates of discount in the last year or two seem to have lasted longer than was formerly the case; they have been very high, and the high rates have continued for a longer time?—It has been so.

8298. That is ascribed, no doubt, with more or less justice to the closing of the mints. Now, can you explain exactly how the closing of the mints brings about this stringency? Of course, people say want of currency. I daresay you admit that currency and loanable capital are not quite the same thing. I do not think that merely to say it is want of currency will explain it. Can you give any fuller explanation?—The trade of India has been expanding, and there has been no addition made to its currency since 1893.

8299. But is a contraction of the currency necessarily the same thing as a contraction of loanable capital?—No.

8300. That is to say, that all the rupees that ever were in India are there still, although they are not in the banks, and not available as loanable capital?—When the trade expands, there is a larger area to be covered by the same number of rupees.

8301. But the proportion in the banks is not the same as before?—No.

8302. If, now, a number of merchants—natives of India—had saved money to the extent of 5 crores, and were to lodge that in the banks, the stringency of money would be removed?—Yes, by so much.

8303. Although there had not been a rupee added to the currency?—In the case you put, the 5 crores were taken out of savings, not withdrawn from circulation; so when deposited with the banks they would be added to the active currency of the country.

8304. It is adding it to that portion of the currency which is ready to be lent for the purpose of trade?—Yes.

8305. I suppose when the Government borrows in India, that tends to take some capital out of the market?—If the Government locks up the rupees it gets, undoubtedly.

8306. Or even if the Government spends the money in the construction of railways in the interior?—Then the money is released.

8307. But does it necessarily follow that it will go into the bank?—Not necessarily into the banks, but if not, then into the country generally.

8308. Does not the rate of discount depend on the balances in the bank, and not on the money circulating in the interior of the country?—I think the two go together. If money is abundantly circulated in the country, it finds its way naturally into the banks, because the import markets are affected by cheap money.

8309. It might find its way?—The tendency is for it to find its way there.

8310. But it might circulate and not come back to the banks?—It might take some time to come back.

8311. It might, or it might not?—In England you would know what became of it, but in India it is not so easy to trace.

8312. Now, I suppose the depositors—the men who used to deposit money in the banks—have taken advantage of the high rate of exchange, and sent their money home?—Naturally, to some extent.

8313. I suppose everybody connected with India has known instances of that?—Yes.

8314. And I suppose, again, the effect of the famine would be to use up capital for the time being?—Naturally.

8315. All these causes would add to the stringency?—No doubt.

8316. Now, as regards the Government assisting to keep down the rate of discount in the busy seasons

—do you know exactly where the Government balance is placed in India?—Not exactly.

8317. It is some time since you have been in India?—Yes, 25 years now.

8318. There is a portion kept, as I daresay you know, with the Presidency banks?—Yes.

8319. And there is a portion kept in a separate Treasury belonging to the Government in each of the Presidency towns?—Yes, in the reserve treasuries.

8320. And the rest is in the various district treasuries scattered all over India?—Yes.

8321. You have not suggested any means by which the Government should give assistance?—I have pointed out what to my mind causes the stringency, and I have left the means of relieving it to those who have better local knowledge than myself.

8322. It used to be the case that in times of great stringency, supposing the published rate of discount at the Treasury banks was (we will say) 12 per cent., the Government would lend money to the Presidency banks at 12 per cent. for the time. Do you think that that was a reasonable thing?—Yes.

8323. The Presidency banks, or some of them at any rate, have objected that that was too high—that they should get money from the Government below their own minimum rate?—I think if the Presidency banks are not able to supply out of their own funds the currency required, they should pay their full minimum rate to the Goverement.

8324. I may say that there is this difficulty about the Government keeping a large proportion of their cash in the Presidency banks, namely, that the Government balance is so large and the private balances are comparatively so small, that if any great emergency occurred the Government might have a difficulty in getting its money out when it required it?—That is a difficulty, undoubtedly.

8325. Another difficulty is that the Government collecting its revenue at a great many different places throughout India, must find it difficult to get their money quickly into the Presidency towns. For instance, the money they collected at (we will say) Quetta could hardly get down to the Presidency town under a week?—That may be so.

8326. Then, another difficulty—I do not know whether you consider it to be one—is that Government has felt that if it permanently and continually helped trade in India, it would lead trade to depend on the Government balances, and it might be necessary suddenly to withdraw those balances, and that would cause a great deal of evil. Do you think there is anything in that?—Yes.

8327. And you think that to lend the Presidency banks money at their published minimum rate is reasonable?—The Government should do that as far as is consistent with their own safety.

8328. You think that the banks and the public would have no complaint against the Government if the Government charged that?—No, that is all I think the Government can do for them. Of course, they can increase the Council drawings.

8329. So that if any bank was able to get money at, say, 12 per cent., its published rate, from the Government, and a customer went to that bank and offered 18 per cent. with perfect security, and the bank said, "We cannot find the money," that customer would be hardly treated; that is always on the assumption that the bank could get the money at 12 per cent. from the Government?—The fact of the bank being able to borrow does not carry with it the obligations to lend to all comers. Suppose I get a deposit at 4 or 5 per cent.: times of great stringency come later on, and I refuse to lend to my customer at 8 per cent., I do not know that there would be a great grievance as regards that particular deposit.

8330. Suppose the bank could get money from the Government at 12 per cent., but because they thought thot rate high the bank would not borrow from the Government; and then, suppose a customer came to the bank and offered 18 per cent. and the bank refused on the ground that it had not got money?—Then that would be hard on the customer.

8331. I do not say that that has occurred; I am putting a hypothetical case?—If it were known that the Government were prepared to lend money at a certain rate, it would have much the same effect as suspending the bank rate here—it would create confidence.

8332. I think that ought to be a great relief to the stringency if it could be done safely?—Quite so, it would have a great moral effect.

8333. You heard the questions that I put to Mr. Coke about the evasion of the maximum. Do you agree with his answers generally that that tendency to evade the maximum, although it may keep down exchange at the moment, and perhaps prevent gold from going to India at the time, would have the effect at a subsequent period of keeping up the exchange?—Yes, I think that is so.

8334. And, of course, if that evasion of the maximum was carried on under all circumstances, and, to a great extent, you might find that what used to be the minimum was as high as the maximum?—Yes.

8335. You do not propose, in any case, to go above a rate of 1*s.* 4*d.* now for the Indian gold standard?—No, we have not yet come to the 1*s.* 4*d.*

8336. So far, you have not expressed the opinion that it is necessary to have a high rate of discount in order to have a high rate of exchange?—Not necessarily; in fact, it might be the other way. A low rate of discount (and I call 3 or 4 per cent. a low rate for India) would mean dull trade. I call 6 or 7, perhaps 8 per cent., a healthy rate, and consistent with active trade. That would probably have a better effect on exchange than a rate of 12 per cent., where people would find difficulty in moving their crops.

8337. Other things being equal, a low rate of discount is a good thing for trade?—Undoubtedly.

8338. If you had a big trade with a 3 or 4 per cent. rate, if it was possible, that would be a good thing?—Yes.

8339. If you could supply a sufficient amount of capital at that rate?—Yes.

8340. You said there was a tax on the export of tea from China. That is not a new tax?—No, it is an old tax.

8341. You expect greater exports from China when the railways are made. What do you think they would be likely to be?—There will be an expansion of the present commodities.

8342. What are those chiefly?—Tea, silk, hides, straw-plaits, and a large body of miscellaneous goods which have come in since the fall of exchange which were never exported before. If we give China the benefit India has of improved railway communication along with low exchange, we may have still further exports, and probably new articles which we do not know of now.

8343. And China having to pay interest on a large debt must export more?—Yes.

8344. Therefore, apart altogether from the effect of the competition produced by the silver standard, it is to be anticipated that under any circumstances India will have to encounter more competition with China in the future?—That will be so.

8345. (*Sir J. Muir.*) This copper cash is a new thing to me, and I should like a little information from you about it. What is the value of the copper cash; what is it called, to begin with?—Copper cash is a copper coin.

8346. Made by whom?—By the Chinese.

8347. By the Government?—By the Government, practically; that is, each provincial Government manufactures its own copper cash.

8348. Then is there any way of testing its value by the Government?—It is very inferior in some places. There is a report here which explains how, in some districts, it is inferior to what it is in others.

8349. There is no test of its intrinsic value?—No.

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8350. What is the value compared with pice in India?—Take the tael; that is worth now 2*s.* 7*d.* You would get 1,100 or 1,200 copper cash for a tael.

8351. Is that the only coin they have?—For retail transactions in the interior. A man will carry a string of these about with him.

8352. Anybody could refuse to accept one if he thought it adulterated?—Yes.

8353. In point of fact, is that done?—Yes.

8354. Are they always accepted at the same price?—If a man sees one that is obviously wrong he will turn it out, just as a man here will refuse a false or worn sixpence.

8355. What is the size of the coin?—About the size of our shilling.

(*Sir A. Dent.*) They vary; some are the size of a fourpenny-bit; some, the size of a shilling.

8356. (*Sir J. Muir.*) What is the value of the tael?—The exchange value of the tael at the present moment is 2*s.* 7*d.* It is a fixed weight in silver—565 grains of silver.

8357. And the dollar?—The dollar is 1*s.* 11*d.*

8358. Those are the Mexican dollars?—Mexican dollars; that is the exchange value of them.

8359. What do you fancy to be the intrinsic value of the dollar—the solid silver in it?—According to the exchange; it is based upon its intrinsic value.

8360. Is it a little larger than our rupee is?—It is double the size of the rupee.

8361. And it sells just now at 1*s.* 11*d.*?—That is the intrinsic value of it at present, and the exchange value, too.

8362. Now, to go for a minute to the question of the action of the Government of India in regard to the Presidency banks, especially the Bank of Bombay, for it is in connexion with that that I have got the most specific information. The manager, under the instructions of the directors, applied to the Government when they found the stringency coming on, and that they would be unable to meet the applications from their customers. They explained the circumstances to the Government, and said, "We are "offered Government paper; we should like to oblige "our customers, but we have not the means of doing it; "will you lend us on such and such securities as many "rupees as will enable us to meet the demands of our "customers"? They were absolutely refused, point blank refused. Naturally that created a very bad feeling in Bombay, an exceedingly bad feeling. The feeling seems to be that, instead of helping merchants and others in Bombay who are solvent, and who have the means of carrying on their business, the Government refused to advance this money, the only reason being that their object was to maintain the 1*s.* 4*d.* rate. If that is really so, what is your opinion of that action of the Government?—I should think it would be very rash to judge the Government by the case you put. The Government conceivably might have many reasons for not advancing the money. In the first place, it is a very serious step for the Government to interfere in commercial matters, quite as serious as the suspension of the Bank Act here. They probably thought that the crisis was not sufficient to justify anything like the suspension of the Bank Act, and that they ought not to create a precedent. Remember that the banks at that moment had a considerable amount of Government money in their hands, and probably the Government did not feel justified in giving them any more. Then you have not said whether or not the Bank of Bombay were prepared to pay the Government a reasonable rate for the accommodation. Of course, that is a secondary matter, because I take it that the Government would not have haggled over the terms.

8363. I presume that the Bank of Bombay, being offered 18 per cent., they would have been willing to give 13 per cent. He would be a foolish manager who would not pay 13 per cent. for money that he could lend out again at 18 per cent.?—But cannot you conceive a case where the Government would not wish to be a party to giving money to a bank at 12 or 13 per cent. in order to enable the bank to charge 18 per cent. to their customers?

8364. I can conceive it if it was their policy to maintain their rate at 1*s.* 4*d.*; but if it was their policy to assist the commerce of the country, I think if I had been a member of the Government I should have said, "Here is a bank who are perfectly solvent, "they are so pressed that they cannot lend money to "their customers; we will lend the money to the "bank—the securities being always ample—Govern-"ment paper"?—I agree with you that it is most desirable to assist the commerce of the country, but I do not know whether we are in a position to judge as to the action of the Government, not having the facts before us. I entirely agree with you that it would have been wise for the Government—other things being equal—to have relieved the stringency, because the prosperity of the country and that of the Government are identical. It is the interest of the Government to foster the prosperity of the country by every means.

8365. Is it not the fact that, prior to 1893, the Government did lend more freely to the Presidency banks than they have done recently?—I have not the figures before me; the bank returns would show that at once.

8366. (*Sir F. Mowatt.*) You explained to us that the high rate during the busy season was attributable to the scarcity of currency, and you were asked whether that could not be met by tendering gold to the Goverment, and getting rupees. I think the answer you gave was, because the Government gave a smaller price than could be obtained in the bazaars?—Yes.

8367. But if a man having gold and desiring rupees could get more from the bazaars than he could from the Government, why did not he go to the bazaars?—As a matter of fact he did go there.

8368. But the purpose of this particular man was served, because he got his rupees?—Yes, he got his rupees from the bazaar.

8369. And if he could not get the rupees at the bazaar, he could have got them by going to the Government, unless the price was prohibitive?—He could have got them at the Government price.

8370. Could you tell me how much the bazaar price was below the price charged by the Government?—The price in the bazaars fluctuates day by day. Perhaps Mr. Campbell can tell you.

(*Mr. Campbell.*) The difference would be 1 per cent.

8371. (*Sir F. Mowatt.*) Therefore, the 1 per cent. on his capital is the extreme price that he would have to pay for his rupees?—If he had sacrificed 1 per cent., he would have got rupees from the Government.

8372. I suppose everybody in India has been greatly impressed by the rate going up to 12 and 14 and 20 per cent. in the busy season, but I should like to know how that compares with rates in this country. That is to say, a 10 per cent. rate in India does not correspond with a 10 per cent. rate in this country, does it? The normal rate in India is higher?—That is so; we are not accustomed to such rates here, as in India.

8373. Could you give some sort of comparison? Take it at 3 per cent. in the busy season and 5 per cent. in the slack season—what sort of rates would they correspond with in this country?—I must ask my friend here.

(*Mr. Campbell.*) You may say 2 per cent. as a minumum and 5 or 6 per cent. as a maximum in London.

8374. (*Sir F. Mowatt.*) Would you say that when 13 per cent. was being charged in India it was practically the same as 6 per cent. in London?—Yes.

8375. You said you think that the proportion of Indian trade with gold standard countries and silver standard countries had altered a good deal since the

closing of the mints, that is to say that it had gone from two-thirds to about eight-tenths?—Yes, we have heard that in 1893 the trade with silver using countries was one-third and now it is 20 per cent.

8376. Should you say that that was caused by an increase in the amount of the trade with gold standard countries or an actual falling-off in the amount of trade wieh silver using countries?—It was an actual falling off in the trade with silver using countries owing to the effect of the difference in exchange through the fall in silver.

8377. Not an increase in actual trade with gold standard countries?—I can imagine an increase in the actual trade with gold standard countries without a falling off with silver-using ceuntries.

8378. It would interfere with the proportion?—There are some articles which you export between the two countries which would not go to gold-using countries. For instance, opium would under no circumstances go to gold-using countries.

8379. Does that comparison stand, considering that the comparison before was with a much larger number of silver standard countries and a smaller number of gold standard countries, and the gold standard countries have increased in number, and the silver standard countries have decreased in number considerably during the last 10 or 15 years?—At the present moment, the only country that I can think of is Japan, and she fixed her ratio so low, that it has not had the same effect as it otherwise would have had. Her ratio is fixed at 2*s.* 0½*d.* per dollar.

8380. Do you say that that is the only one?—It is the only one of importance that I can call to mind at the moment.

8381. You said that the development of European influence and capital in China would, no doubt, make her a more serious competitor for external trade than she is at present?—Yes.

8382. Knowing what you do of Chinese institutions and character, do you suggest that that would be felt immediately, or might not even a generation pass before there is any very great increase of active competition?—The competition of China will go on increasing year by year. As we have seen already, during the last 10 years, the trade has increased very largely, and I should look for that increase going on; but it is only, perhaps, as you say, in the course of a generation that it will increase by leaps and bounds.

8383. (*Chairman.*) With reference to the present position of the Japan gold currency, the large export of gold has been caused by the rice famine?—Yes, amongst other things.

8384. Suppose there was a complete failure of the wheat crop in this country, would not there be a large export of gold from this country which would affect, no doubt, the price of money in this country?—Decidedly.

8385. Then, supposing that Japan as a nation—I do not for a moment say that it is so—but supposing she indulged in extravagant or unwise expenditure—expenditure beyond her present means, would not that also tend to cause a drain of gold?—Certainly.

8386. Now, with reference to Chinese competition, I understand that so far as tea is concerned, you consider that the difference which I think you have put at about 36½ per cent. caused by the rise of exchange to 1*s.* 4*d.* was practically met by copper cash having advanced 15 per cent., and also by the taxes—that China was handicapped to that extent—35 per cent.?—Yes. The fall in exchange since the year 1893, when the mints were closed, to the present date, is 36 per cent. The rise in copper cash is 15 per cent. at least, and the duty you may call 15 per cent.; and that neutralizes the effect as compared with India.

8387. In fact, the advantage which China gains by the fall in the bullion price of silver is met, and so to speak balanced, by the increase of 15 per cent. and 20 per cent.?—That is so in the case of tea.

8388. Therefore, practically, you do not attach very much importance to the competition with China, so far as the price of bullion is concerned?—Just so; in the case of tea.

8389. Now, has not the Japan standard, supposing it is maintained, practically fixed the value of the rupee at 11*d.*? The price Japan has fixed for the yen is equivalent to a rupee price of 11*d.*?—I take it that is so.

8390. Then, supposing that the mints were opened, what effect would that have upon the possibilities of a rise or fall in the exchange value of the rupee?—If the mints were opened, I should say the tendency of the rupee would be to fall, to begin with.

8391. To fall below the 11*d.*?—There are so many different factors; it is difficult to speak positively.

8392. I will put it the other way. Could it rise above 11*d.*?—It might rise above 11*d.*, because in the event of India re-opening her mints Japan might have to go back to silver again, and there are many other cases that I could easily conceive that might cause a rise instead of a fall.

8393. Assuming there is no change, the ratio at which the Japanese yen has been fixed would be a barrier against a rise above 11*d.*?—Yes; but only so long as Japan had silver to sell.

The witness withdrew.

Adjourned.

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INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.

PART II.

Presented to Parliament by Command of Her Majesty.

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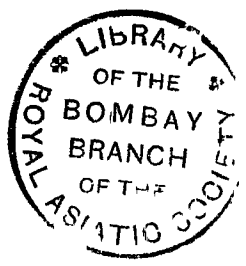

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MR. WILLIAM JAMES THOMPSON, SENIOR, AND MR. WILLIAM JAMES THOMPSON, JUNIOR.

Have been in business for many years as tea-brokers in Mincing Lane; Mr. Thompson, Senior, is Chairman of the National Discount Company, 8585–90.

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MR. W. H. CHEETHAM.

Is a member of the firm of Kilburn and Co., Calcutta, which is interested in several branches of industry, 8679–80.

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MR. DONALD GRAHAM, C.I.E.

Is a merchant trading with India, 9015–20.
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Was opposed to the closing of the mints in 1893, 9023–6.
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MR. DAVID CRUICKSHANK.

Is chairman of the Indigo Association, and a member of a firm trading with India, and especially interested in indigo and tea, 9335–6.
Was opposed to the gold standard proposals of 1886, and to the closing of the mints in 1893, 9337–8.
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MR. MERWANJEE RUSTOMJEE.

Is a Parsee broker, dealing in exchange, finance, bullion, and Government securities, and represents the Bombay Native Shares, Stock, and Exchange Brokers' Association, 9719–21.
Was opposed to the closing of the mints, on the ground that India was prospering under the silver standard, and that, if the mints were closed, Indian cotton-mills would be injured by the fall in silver and by monetary stringency, 9722–3, 9732.
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MR. JOHN GALLOWAY.

Is President of the Glasgow Chamber of Commerce, but gives evidence in his private capacity. Was connected with a steamship company trading between Glasgow and Rangoon, and with the Irrawady Flotilla Company, 9869–70, 9877–9, 9898.

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SIR ROBERT GIFFEN, K.C.B.

Has been Assistant Editor of the *Economist*, and an official under the Board of Trade, 10,020–4.

Was in 1879 a member of a Departmental Committee appointed to consider a proposal for closing the Indian Mints to the free coinage of silver; and wrote two memoranda on the subject, 10,025–31.

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SIR ALEXANDER MACKENZIE, K.C.S.I.

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SIR ALEXANDER MACKENZIE, K.C.S.I.—*cont.*

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MR. ROMESH C. DUTT, C.I.E.

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Increased employment of native officials, 10,710-3, 10,983-11,004.
People of India should be consulted by Government on financial questions, 10,727, 10,769-70.
Reduction of India's sterling obligations, 10,714-27.
Witness is in favour of letting the rupee fall to its bullion value, because the additional charges that would be incurred could be met from the automatic increase in the revenue of the Government and by more economical administration, 10,747-8, 10,767-8.
Proposed temporary borrowing to meet charges of external debt, 10,764-6.
Criticism of railway policy of Government of India, 10,728-42, 10,799-805, 10,971-80.
Possibility of raising railway rates, 10,751-60.
Gold standard not desired by the producing and cultivating population of India, 10,832-5.
Feeling in India as to present inquiry, 10,774-90.
Price of silver and cost of production, 10,806-17.
Illicit coinage, 10,8[illegible]17.

RIGHT HON. SIR JOHN LUBBOCK, BART, MP.

Is Chairman of the London Bankers, and President of the Central Association of Bankers; was a member of the International Currency Commission and of the Gold and Silver Commission, 11,027-9.
Was not in favour of the closing of the Indian mints, 11,030-1, 11,138-41, 11,153.
Temporary borrowing would have been preferable to closing the mints, 11,077.
A gold standard is impossible without a gold currency, 11,033, 11,035, 11,041-2, 11,100. 11,102, 11,109.
Gold currency unsuitable for India, 11,032, 11,040, 11,106-7.
A currency of which a portion is gold and the larger portion is silver, cannot be rightly described as a gold currency, 11,033, 11,109, 11,136-7, 11,212.
France and Canada have not a gold standard, but an exchange standard, 11,034, 11,036-8, 11,110-4.
India has at the present time an exchange standard, 11,043.
Definition of "exchange standard," 11,048.
Disadvantages of an exchange standard, 11,049, 11,130.
Desirability of altering the present currency arrangements of India, 11,095-7, 11,144.
Criticism of the proposals made by the Government of India, 11,097-8.
Criticism of Mr. A. M. Lindsay's proposals, 11,099.
It would not be wise for the Government of India to undertake to give gold for rupees, unless after a very great reduction of the volume of the rupee currency, 11,117-33, 11,165-77.
The rate of 1*s.* 4*d.* for the rupee can probably be maintained without recourse to extreme measures, 11,217-8.
Having regard to present conditions, witness is in favour of maintaining the value of the rupee by the imposition of a heavier import duty on silver, of a fixed amount per ounce, 11,055, 11,057-8, 11,158-62, 11,196-7, 11,203-8.
Effects of this policy:—
Increased revenue, 11,055, 11,159.
Increased demand for Council bills, 11,055, 11,192.
Rise in rupee price of silver; diminution of difference between value of rupee and value of same weight of uncoined silver; divergence between value of silver in India and outside India, 11,055, 11,059-65, 11,068-70, 11,162-4, 11,190-1.
Re-opening of mints:—
With a heavy import duty on silver and a seignorage, it might ultimately be possible to re-open the mints, 11,056, 11,084, 11,142, 11,154-7, 11,202.
Effect on price of silver of re-opening the mints, 11,084-94, 11,155-7, 11,190-2.
With open mints, under the conditions proposed, the rupee would fluctuate much more closely with silver than it does at present, 11,185-9, 11,198-9.
A stable exchange is desirable, but its importance has been exaggerated, 11,050, 11,071, 11,186.
Suggestions as to land revenue, 11,078-80, 11,149-51.
Effect of fall in exchange on sterling and rupee obligations of Government of India, 11,081-3.
Railway policy of Government of India, 11,095, 11,219.

MR. HENRY BOIS.

Resided in Ceylon for nearly 40 years, and was a member of the Legislative Council and Chairman of the Chamber of Commerce of Ceylon, 11,234-7, 11,261.
Agrees with the evidence given by Mr. T. N. Christie, so far as it relates to matters of fact; but does not agree with all Mr. Christie's opinions and suggestions, 11,238-9.
Witness is in favour of the re-opening of the mints to silver, 11,280-1.
If the mints were re-opened, a duty on exports would be a better means of providing the additional revenue required by the Government than an import duty on silver and a seignorage as proposed by Mr. Christie, 11,243-54, 11,296.
Although India and Ceylon have hitherto benefited from a low exchange, that benefit would be lost if the rupee were to depreciate relatively to food, labour, and commodities generally, 11,240-1.
Effect on the Ceylon tea industry of the maintenance of exchange at 1*s.* 4*d.*, 11,255-9, 11,292-5, 11,302-3.
Importance of the tea industry to Ceylon, 11,261-8.
Fall in price of tea due to increased production, 11,294-5.

MR. HENRY BOIS—*cont.*

Loss and gain to various classes and interests arising from fall in exchange, 11,260, 11,272–3, 11,276–7, 11,329–31, 11,334–7.
Effect of high and low exchange on movements of capital, 11,272–3.
Rate of exchange that would have prevailed if the mints had not been closed, 11,274, 11,326–8.
If the mints are not re-opened to silver, a gold standard might be established with the rupee at 1*s.* 2*d.*, and this would probably be accepted in Ceylon as a fairly satisfactory solution of the currency question, 11,281–7.
Method of establishing a gold standard in India and retaining the rupee as the chief circulating medium, 11,287, 11,289–91, 11,306–24.
Advantages of a gold standard, 11,304–5.
Amount of gold required for the establishment of a gold standard in India, 11,287.

MR. HORACE SEYMOUR, C.B.

Is deputy master of the Royal Mint, 11,338–9.
History of the adoption of the gold standard, with token currency of silver and bronze, in England, 11,340–60, 11,449–62.
Value of silver coinage in relation to gold is fixed by proclamation, 11,353.
Proportion of intrinsic to circulating value of English silver coins, 11,377.
Silver coins issued under the authority of the Chancellor of the Exchequer, at the request of the Banks of England, Scotland, and Ireland, 11,363–74, 11,436–7.
Profit on the coinage of silver goes to the Government, 11,375–6, 11,438–46.
Any loss resulting from over-issue of silver would be borne by the banks, 11,378–9, 11,513–5.
Estimate of active circulation in the United Kingdom: gold, 68,000,000*l.*; silver, 23,000,000*l.*; bronze, 2,000,000*l.*, 11,383–410, 11,469–75.
Principles by which the issue of token coins is regulated in foreign countries, 11,411–23.
Circulation of five-franc pieces in France, 11,420–3.
Question whether value of token coins can be maintained by limitation of issue, apart from limitation in respect of legal tender, 11,424–8, 11,491–2, 11,522–7.
Decrease of illicit coinage in the United Kingdom in spite of fall in the value of silver, 11,430–5, 11,463–8.
Difficulties in the way of illicit coinage, 11,510–2.
Possibility of detecting illicit coins made of silver, 11,505–9, 11,517–8.

MR. ROBERT BARCLAY.

Is a partner in firms established at Manchester, Buenos Ayres, and Monte Video; has large business relations with India; is President of the Manchester Chamber of Commerce, 11,528–32.
Appears before the Committee mainly in order to support a resolution passed by the Manchester Chamber of Commerce in favour of re-opening the Indian mints to the coinage of silver, at a time and under conditions to be hereafter determined, 11,533–4, 11,580, 11,708–9, 11,739–49.
Criticism of the policy of establishing a gold standard, as proposed by the Government of India:—
  Objection to a gold standard without a gold currency, 11,535.
  A gold standard with a gold currency could not be introduced, because a gold currency is unsuitable to India and would not be accepted by the people, 11,535–6, 11,624–5, 11,700–1, 11,719–20.
Criticism of Mr. A. M. Lindsay's scheme:—
  Without unlimited convertibility of the rupee into gold, there would be no assurance that exchange would be kept at 1*s.* 4*d.*; with unlimited convertibility the demand for gold might be so great as to cause the scheme to break down, 11,536–41.
The Government of India and Mr. Lindsay aim at keeping up the rate of exchange, and ignore, to a large extent, the interests of the people of India, 11,541–5.
The rate of exchange has been kept up in recent years by Government borrowings and by investment of capital in India, 11,537–40.
The establishment of a steady rate of exchange would be advantageous to India, if it were brought about in such a way as to inspire confidence in its continuance, 11,574–7, 11,640.

MR. ROBERT BARCLAY—*cont.*

The currency of India should be automatic, and should not be controlled by the Government with a view to the maintenance of the rate of exchange, 11,545, 11,548–9, 11,558, 11,560–5, 11,626–36, 11,657.
Effect of the suspension of the sale of Council bills in 1893, 11,550–8.
When the mints were open, trade balances could be adjusted by the export or import of silver, 11,545–6, 11,565, 11,618.
Effect on the Indian money market of the curtailment of the currency caused by the closing of the mints, 11,566–74.
Use of credit money in India, 11,580, 11,701–4.
Effect of the closing of the mints on the rupee price of silver bullion and ornaments, 11,580–4, 11,590–8, 11,612, 11,614, 11,641–5.
Estimate of the amount of uncoined silver in India, 11,659.
Effect of the closing of the mints on the value of hoards of rupees, 11,585–90, 11,593–6.
Feeling in India as to the closing of the mints, 11,598, 11,605–10, 11,660–3, 11,666, 11,721–3.
Effect of the closing of the mints on Indian trade and competition with China, 11,686–7.
Witness sympathises with the desire of the Government of India for the establishment of a stable exchange between India and gold-using countries at the rate of 1*s.* 4*d.* for the rupee, 11,598, 11,749–51.
If the Indian mints were re-opened to the free coinage of silver and, at the same time, concurrent mintage of silver by the United States on the basis of 42*d.* per oz. were secured, the object of the Government of India would be attained, 11,598, 11,646–9, 11,705, 11,711–3.
Further advantages which would result from the proposed arrangement, viz.:—India would have a supply of currency adequate to her needs, she would have the same standard as China and other Eastern competitors, disturbance of the habits of the people in connexion with currency would be avoided, the divergence between the value of coined and uncoined silver would disappear, and the temptation to illicit coinage would be diminished, 11,598, 11,688, 11,715–6.
Reasons for believing that such an arrangement could be brought about and would be effective, 11,650–6, 11,699.
Views of witness as to prevalence of illicit coinage in India, 11,688–98.
Importance of the trade of Lancashire with India, 11,657–8.
Coinage in Native States, 11,667–84.
Attempts to establish a gold standard in Russia, Austria, Japan, Chili, and Peru, 11,685.
Condition of the Argentine Republic during fall of exchange, 11,752–6.

PROFESSOR ALFRED MARSHALL.

Is Professor of Political Economy in the University of Cambridge, and gives evidence on questions of economic principle, 11,757–8.
Relation between volume of currency and level of prices, 11,759–60, 11,799.
Other causes affecting prices, 11,760–2.
Relation between currency, bank money, and real capital, 11,763–4, 11,794–8, 11,800.
Causes governing the rate of interest and the rate of discount, 11,765–9, 11,794, 11,802–13, 11,852.
Alleged influence of custom in steadying prices in India, 11,770–2.
Dependence of India on foreign capital, 11,773, 11,814.
Want of elasticity in Indian currency; not to be avoided by a mere increase in the currency; the methods of the German Reichsbank might be followed, 11,773–9, 11,852.
Classes affected by a rise or fall in prices; relation between movements in wages and movements in prices, 11,780–5.
Interest of the Government of India in the rate of exchange; growth of Indian expenditure due to moral and material progress; importance of raising revenue in the least irritating manner possible. 11,786.
Reasons for approving of the rate of 1*s.* 4*d.* for the rupee, 11,787, 11,834–6.
Rate of Indian exchange indicates proportion between rupee prices and sterling prices, certain allowances being made; causes acting on rate of exchange, 11,788–91, 11,824–7.

Analysis.

PROFESSOR ALFRED MARSHALL—*cont.*

Alleged effect of depreciation of currency in stimulating foreign trade, 11,792, 11,815–22, 11,834–44, 11,850–1.
Possibility of establishing and maintaining a gold standard and gold currency in India, 11,793, 11,829, 11,845–6.
Alleged effect of import duties in enabling a debtor country to retain gold, 11,828–9.
Need for more thorough economic training of Indian administrators, 11,852.

MR. ALFRED DE ROTHSCHILD.

Suggestions as to the establishment of a bank in India to absorb the existing Presidency Banks, and to provide for the creation of a gold reserve and for the maintenance of a gold currency, 11,853.

MR. WALTER DUNCAN.

Is a merchant engaged in Indian trade, 11,854–8.
Disapproved of the closing of the Indian mints on the ground that the rise in the value of the rupee must be a burden to the export trade, 11,860–3.
Difficulty of tracing any effect of exchange on prices, 11,864–7.
If exchange had been allowed to fall, prices would probably have risen in course of time, 11,872–4.
Classes affected by rise in prices, 11,875–9.
Desirability of reducing the exchange value of the rupee from 1*s.* 4*d.* to 1*s.* 1½*d.*, 11,880–5, 11,916–21, 11,928–30, 11,946, 11,949, 11,952–5.
To re-open the mints at once would cause disaster to traders and difficulty to the Government of India, 11,914, 11,928.
Probability of a rise in the gold price of silver, 11,920, 11,931–9.
India cannot compete with other countries if her exports are burdened with a rate of exchange artificially raised to 1*s.* 4*d.*, 11,886–900, 11,940–3.
Condition of Indian import and export trade since closing of mints, 11,922–7, 11,982–98.
Competition between India and China, 11,896–906.
Opium trade, 11,900, 11,966–73.
Advisability of increasing import duties to meet the loss that the Government of India would suffer if the rate of exchange were reduced, 11,907–11.
Probability that, with a lower rate of exchange, the revenues of the Government of India would expand, 11,957–8.

MR. J. E. O'CONOR, C.I.E.

Opium trade:
The chief cause of the low price of Bengal opium in 1897 was the stringency of the money-market. Since 1897 prices have risen and the quantity exported has increased, 12,010–4.

Further evidence in support of the view that the currency policy of the Government has not excited popular dissatisfaction in India, 12,015–7.

Illicit coinage:
The enquiries of the Government of India show that there is no evidence of illicit coinage on any appreciable scale, 12,018, 12,020–1.
Confirmation of this view from other sources, 12,019.
Methods of illicit coinage in India, 12,019.
Currrency of Native States:
Decrease in the issue of fresh coinage by Native States, 12,022–3.
Substitution of British rupees for native coins in Kashmir, Gwalior, and Bhopal, 12,024–42.

Indian trade:
Condition of trade in 1898–9 is not abnormal, 12,043–8, 12,097–116.
Possibility of the maintenance of the rate of 1*s.* 4*d.* for the rupee, 12,049–55.
Effect of rate of exchange on trade and prices, 12,117–23, 12,150.
Elasticity of Indian export trade, 12,139–41.
Trade of India with the Straits Settlements, 12,056–9.
Trade with China, 12,060–76.
Rate of exchange between India and China since the closing of the mints, 12,134–8.
Trade with Japan, 12,070, 12,073.
Competition with the Argentine Republic in wheat and oil-seeds, 12,155.
Effect of railways on trade, 12,141–2.

MR. J. E. O'CONOR, C.I.E.—*cont.*

Movements of prices in India, 12,143–51.
Competition of Indian and Ceylon tea with China tea, 12,152–3.
Taxation:
Objections to the policy of regulating taxation with reference to the rate of exchange, 12,077.
Increase of taxation since 1873, 12,077.
Proportion of home charges incurred on account of general administration and "commercial services," respectively, 12,078–5, 12,087.
Difficulties in the way of increasing railway rates in India, 12,085.
Purchase of stores in England and India, 12,085–9.
Explanation of the "exchange" shown in the accounts of the Government of India, 12,090–4.
Form of the accounts of the Government of India, 12,090–6, 12,124–33.

RIGHT HON. THE LORD FARRER.

Was a member of the Indian Currency Committee of 1893; and is satisfied, from subsequent experience, of the justice and expedience of the course recommended by that Committee and adopted by the Government, 12,157–60.
Bimetallism, as a solution of the Indian Currency question, is now impracticable, 12,162.
The re-opening of the Indian mints would be injurious to trade and ruinous to the finances of the Government, and would not alleviate monetary stringency, 12,164–9, 12,287.
The existing currency arrangements of India should be terminated as soon as possible, 12,170–2.
A gold standard should be adopted with an automatic currency based on gold and having a fixed gold value, 12,173–91.
Disadvantages of silver as a standard of value, 12,176–7.
The rupee should be fixed at 1*s.* 4*d.*; criticism of objections to that rate, 12,192–8, 12,289–91, 12,309–27.
Effect of the closing of the mints on the gold value of the rupee, 12,199.
Objection to the proposal of the Government of India for melting rupees, 12,200.
The only sound ultimate foundation for a gold standard in India is convertibility of the rupee, at any rate for the purpose of foreign exchange, 12,201–2, 12,288.
Objections which have been urged against the policy of convertibility, 12,203–8, 12,260–74.
Importance of cautious financial administration to enable India to retain gold, 12,209–14.
Exchange cannot be improved by manipulating currency for the purpose of increasing exports, 12,215.
Effect on the money market of depreciating the currency, 12,216–7.
Monetary stringency in India in 1897–8, 12,218.
Importance of inspiring confidence in the future gold value of the rupee, 12,219–21.
Question of a gold currency for India, 12,223–5, 12,279–82, 12,302–3.
Mr. Lindsay's scheme, 12,223–37.
Management of gold reserve should be entrusted to a bank, 12,237–43.
Time at which convertibility of the rupee should be undertaken, 12,221, 12,244–9, 12,257–9, 12,275–8, 12,295–301.
Desirability of obtaining the support of the Imperial Government for the establishment of a gold standard in India, 12,237–9, 12,250–6.
It may be necessary to borrow in order to maintain the gold standard, 12,254–6, 12,304–8.

MR. JOHN MATHESON MACDONALD.

Has many years' experience of trade with China, 12,328–32.
Competition in cotton between India and China:
Apart from currency causes, China would be able to compete successfully with India; the Indian currency system increases China's power of competing with India, 12,334–5, 12,502–3.
China's advantages are cheap and efficient labour, 12,337, 12,341–2, 12,353–4, 12,488–9; cheap coal, 12,338; command of raw material, 12,339, 12,349–52, 12,465–73, 12,498–500; vicinity of market, 12,340.
Cotton mills erected by foreigners in China since 1895; devoted chiefly to the production of yarn, 12,336, 12,343–8, 12,485–7, 12,493–7.
Likin duties, 12,355–6, 12,370, 12,505–14.

MR. JOHN MATHESON MACDONALD—*cont.*

Competition in tea between India and China, 12,361-2, 12,369-75, 12,474-84.
Opium trade between India and China, 12,361, 12,363-6, 12,515-7.
Prices and cost of production in China, 12,393-402, 12,504.
Chinese standard and currency: standard of value is silver by weight, 12,381-8; use of silver coins, 12,382, 12,386-8; use of copper cash as subsidiary currency, 12,385: native banking system and use of paper money, 12,389-91; disadvantage to China of the absence of a well regulated currency, 12,392, 12,490.
Competition in cotton between India and Japan, 12,357-60.
Indian currency system: desirability of re-opening the mints and returning to a silver standard; international agreement almost impossible; necessity for a large reserve of gold, if a gold standard is to be established, 12,376-80, 12,403-64, 12,492, 12,518-26.

MAJOR LEONARD DARWIN.

Has written on bimetallism and on the Indian Currency question; is of opinion that under certain conditions bimetallism is the best currency system, but is in favour of a gold standard for India; is strongly opposed to the re-opening of the Indian mints to silver, 12,527-36.
Is in favour of the rate of 1*s.* 4*d.* for the rupee, as being that which would cause least disturbance and is expected by the public; a higher or lower rate would not affect the community as a whole, but would, by its action on prices, affect various classes, 12,537-46.
If existing arrangements are maintained, a gold standard will in time be automatically established; but the existing arrangements should in any case be modified so far as to allow the public to buy gold from the Government's gold reserve; gold should be kept out of the currency, 12,547-66, 12,615-6, 11,625-31, 12,664-70, 12,693.
Scheme for establishing a gold standard in India, if more vigorous measures are considered desirable:—
Notes to be issued in London in exchange for sterling, and in India in exchange for gold or rupees; the rate for the issue of notes against sterling in London, and against gold in India, to be 1*s.* 4*d.* the rupee, and the Government to reserve the right to charge ½ per cent. premium on the issue of notes against rupees; all notes to be convertible into gold in London, and, for the present, into rupees in India; the Government to have the power of cancelling, after due warning, their liability to convert notes into rupees; notes and rupees alone to be legal tender, and all laws and regulations recognising gold as currency in India, and authorising its receipt by Government in payment of dues, to be repealed; the liability to convert notes into gold to be, if necessary, limited to a definite amount, 12,567, 12,579-97, 12,617-24, 12,632-53, 12,656-63, 12,679-83, 12,690-2, 12,700-19.
Effect of limiting the liability to convert notes into gold, 12,592-6, 12,599-601, 12,653-5, 12,686-9.
Elasticity of the currency increased by making notes convertible into gold in London, and by allowing the issue of notes against a given quantity of gold to be increased, 12,567, 12,602-14, 12,671-8.
A gold standard with a large gold currency, as in England, would, if practicable, be better than the scheme given above, 12,720-1.
Criticism of the charge of artificiality brought against Mr. Lindsay's scheme and similar schemes, 12,568.
Convertibility of the rupee, 12,569-87, 12,590-2.

RIGHT HON. THE LORD ALDENHAM.

Has been Governor of the Bank of England; was a representative of the British Government at the International Monetary Conference of 1878; is President of the Bimetallic League, but does not give evidence as representing that body, 12,722-8.
Disapproved of the closing of the mints; reasons for disapproving; effects of the measure, 12,729-38, 12,809-10, 12,829-31, 12,849-52, 12,905-6, 12,924.
Objections to a "managed" currency, 12,732, 12,798, 12,822-8, 12,924.
Disapproves of the proposal to establish a gold standard in India, 12,739-40.

THE RIGHT HON. THE LORD ALDENHAM—*cont.*

Reasons for disapproving of the proposal:—
India requires silver as a circulating medium; a gold standard should be accompanied by a currency that consists of gold or is convertible into gold; objections to the establishment of such a currency in India, 12,741-3, 12,777-808, 12,907-10, 12,914-8.
Desirability of avoiding a further drain on the world's supply of gold, 12,745-52, 12,838, 12,921-3.
The establishment of a gold standard would cause a further fall in the rupee price of silver, 12,829-31.
Criticism of the proposals of the Government of India to melt rupees and to borrow gold for transmission to India, 12,813, 12,865-9.
Criticism of Mr. A. M. Lindsay's scheme, 12,815.
Great Britain and Canada are the only countries with a pure gold standard, 12,757-9, 12,773-6; standard of value in France and America, 12,753-5, 12,821.
International agreement for the coinage of silver:—
The negotiations which were entered upon in 1897 should have been continued, though the rejection of the proposals made by the American envoys was inevitable, 12,839-40, 12,855-64, 12,913.
Views of witness as to willingness of the United States to enter into an agreement on the basis of a ratio of gold to silver of 22 to 1; correspondence with Colonel John Hay, formerly American Ambassador in London, 12,841, 12,844-6.
Attitude of France towards international agreement, 12,844, 12,873-4.
Consequences that would result from the opening of the American mint to the unlimited coinage of gold and silver at a ratio of 22 to 1, 12,841, 12,876-904, 12,924.
Opinions of authorities in England and India as to the advantages of an international arrangement, 12,846, 12,924.
Importance of stable exchange between gold-using and silver-using countries, 12,847-8.
A depreciating currency is not a source of advantage to a country, 12,919-20.
Witness is in favour of leaving the currency system of India unchanged for the present, 12,842, 12,853-4, 12,870-2, 12,906.

MR. HENRY DUNNING MACLEOD.

Has studied economics and written on the subject for more than forty years, 12,925-7.
The closing of the Indian Mints to the free coinage of silver in 1893 was absolutely necessary in the interests of the Government of India; the re-opening of the mints would be disastrous, 12,928-32.
In order that the rate of exchange between England and India may be rendered stable, an effective gold standard with a gold currency should be introduced into India, 12,933-5, 12,945, 12,958-9, 12,970-3.
Steps by which gold currency should be introduced into India; sovereigns to be declared legal tender; the Indian Mints to be authorised to coin sovereigns and half-sovereigns; customs duties to be payable in gold; measures for restoring to circulation the ancient gold currency of India, 12,944-57, 12,968-9, 12,974-85.
Suitability of a gold currency for India, 12,936, 12,939.
Criticism of the historical arguments used by Mr. Lindsay in support of his scheme, 12,937.
The Government of India should not undertake to give gold in exchange for rupees, 12,938, 12,960-7.
The rupee should be fixed at 1*s.* 4*d.*; there is no natural ratio between the rupee and gold, 12,941-3.
In course of time the rupee should be declared to be legal tender for a limited amount only, 12,940.

RIGHT HON. LEONARD H. COURTNEY, M.P.

Proceedings of the Herschell Committee; reasons for recommending that the proposal of the Government of India for the closing of the Indian mints, with a view to the adoption of a gold standard, should be sanctioned, 12,986-93; reasons for recommending that the rate of 1*s.* 4*d.* should be chosen as the upper limit of the value of the rupee, 13,028-9, 13,078-80, 13,106-16, 13,119-21.

Analysis.

RIGHT HON. LEONARD H. COURTNEY, M.P.—*cont.*

Results of the closing of the mints; the gold value of the rupee has been fixed at 1*s.* 4*d.* through relative contraction of the currency, 12,994–7, 13,003, 13,012, 13,025, 13,030–1, 13,054–7, 13,083.

Effect of relative contraction on the value of paper currency in the United States and in Austria, 12,996, 13,003, 13,009, 13,058–62.

The existing currency arrangements in India will probably lead to the automatic introduction of a supplementary gold currency, 12,998–13,001, 13,088–94.

The Government of India should at present take no further steps with reference to the currency, except to open the mints to the coinage of gold, 13,021–2, 13,032, 13,063–71.

The Government of India should not undertake to give gold for rupees; the silver token currency of England is maintained at its nominal value without convertibility, 13,003–9, 13,033–8, 13,081–2, 13,099–100.

Gold should be allowed to accumulate for the present in the Government treasuries in India; method of dealing with accumulations of gold, 13,072–4, 13,101–5, 13,122.

Advantages that would accrue to India if the gold value of the rupee rose in consequence of action on the part of the United States, 13,046–53, 13,096–8.

Any advantage that silver-using countries may have over India, owing to the appreciation of the rupee beyond its bullion value, is transitory, 13,095.

Effect of appreciation of rupee on burden of taxation, 13,117–8.

Currency of France, 13,013–4, 13,017–9, 13,084–6.

Currency of Java, 13,074–7.

INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

COMMITTEE

ON

INDIAN CURRENCY.

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC S.

At the India Office, S.W.

NINETEENTH DAY.

Friday, 4th November 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

The Right Hon. the Earl of NORTHBROOK, G.C.S.I., called and examined.

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8394. (*Chairman.*) Will you state how long your connection with India has been?—I began as private Secretary to Lord Halifax, when he was Sir Charles Wood and President of the Board of Control, before the Government of India was transferred from the East India Company to the Crown; that was from 1853 to 1855. Then, afterwards, when I came into Parliament, I was Under Secretary for India from 1859 to 1860; Sir Charles Wood was then Secretary of State for India. I then went to the War Office for a short time, and subsequently went back to the India Office and remained there till 1864. I was Governor-General of India from 1872 to 1876.

8395. Have you read the volume recently published, containing the report of the evidence taken before this Committee?—Yes.

8396. The first question upon which I ask your opinion is as to the closing of the mints in 1893?—I think I had better explain to the Committee my own individual view upon that question. I had very great doubts at the time whether it was right to close the mints in 1893. After further consideration of the question, and reading the evidence taken before this Committee, I was satisfied that, as no international arrangement appeared to be practicable for opening other mints to silver at a reasonable ratio to gold, (I held that the 15½ to 1 ratio was quite unreasonable and impracticable), the Indian Government were right in closing the mints to silver with a view to changing the standard of value in India from silver to gold. I put that clearly, because to close the mints in India without establishing a gold standard would, I think, have been wrong. I should like to add that I think the closing of the mints was quite justifiable. It cannot be denied that a government has a right in certain circumstances to change the standard of value. It is, of course, a serious matter, but there are many countries that have done it quite recently; Germany and France and other countries have changed their standard of value. Therefore, the idea that the Government of India had no right to change the standard of value in India appears to me quite untenable. I myself do not believe that the measure has seriously interfered with public or private interests in India. The individuals who were immediately affected by the closing of the mints were the holders of silver bullion, because the closing of the mints lowered the value of their silver, for it was immediately followed by a fall in the price of silver; but it must be remembered that the price of silver must have fallen considerably, even if the mints

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had remained open. The extent to which it would have fallen I cannot say, but there must have been a fall. On the other hand, the holders of rupees may have had some advantage through the closing of the mints. I use the word "may" deliberately, because I do not myself believe that Indian prices—I mean prices in the internal trade of India—have been affected to any extent by the closing of the mints. At any rate, whatever result has followed to the holders of rupees, it must have been in their favour rather than against them. And it must also be remembered that all the holders, in India and elsewhere, of Government rupee paper obtained a distinct advantage by the closure of the mints. If the mints had remained open, of course the rupee loans would have gone on depreciating to the full extent of the fall in the gold price of silver. That affects very much the interests of the moneyed classes in India, who hold a good many of these Promissory Notes. There are 25½ crores of rupees of this stock held by natives of India, besides certain loans which are held by the native princes. I have seen it stated that the native princes of India have been injuriously affected by the closing of the mints. I believe this to be an entire mistake. They are large holders of rupee paper, and, therefore, to that extent at any rate, they have been much benefited by the measure. Take Sindia—the Maharajah of Gwalior—he holds 5½ crores. Then take Holkar—the Maharajah of Indore—he holds one crore of rupee paper, and other native princes have a large quantity of rupee paper. I was apprehensive, when the mints were closed, that considerable hardship would be inflicted upon the people who had silver ornaments in India, because they would not any longer be able to exchange their silver ornaments of a certain weight of silver for rupees of the same weight. That apprehension of mine has been very greatly, if not entirely, removed by the evidence given before this Committee by Sir Antony MacDonnell. I consider that Sir Antony MacDonnell is the highest authority that could be examined by the Commttee upon the condition of the North-Western Provinces. He is one of our very best administrators in India at the present time. He has had a most intimate knowledge of the people, from having managed with great ability and conspicuous success the recent very serious famine in the North-Western Provinces. The other day he did a still more important piece of service to the Government of India. During the outbreak of plague in Hardwar, which, as some members of the Committee well know, is one of the worst possible places in the North-Western Provinces in which such an outbreak could occur, because there is a great fair held there, Sir Antony MacDonnell managed with great ability to check that outbreak of the plague without exiting any bad feeling on the part of the native population. I mention that to show the Committee what kind of man Sir Antony MacDonnell is, and I thoroughly trust all he says about the condition of the people in the North-Western Provinces. I was very glad to see what he said about it, because I consider that the mass of the people in the North-Western Provinces, which is almost the mainstay of the British Empire in India—perhaps that is too strong a word to say, but, at any rate, it is one of the most important parts of India—those people have certainly benefited by the increase of trade, and the rise in prices in India. Sir Antony showed, in a most interesting way, that although they had had to meet this great famine, yet, very shortly after the famine, they were able to pay their land revenue, and did pay it, and declared that they did not want any further remissions. That shows how well off the people of those Provinces are, comparatively—I use the word "comparatively," because everybody knows how poor the people of India are, on the whole, as compared with the people of this country. However, on the particular point on which the Committee examined Sir Antony MacDonnell, namely, whether this possible hardship from the natives holding silver ornaments had any serious effect, he satisfied me. I do not know what impression he made upon members of the Committee; but his evidence, as I have read it, satisfies me, at any rate, that no very serious hardship has actually occurred. He said, and I have no doubt he said truly, that, possibly on account of the increased wealth of the people, the greater part of their hoards are now kept in rupees, and, of course, so far they were not touched. They must have suffered to a certain extent, but I am satisfied that there was no serious hardship arising to the people through the closing of the mints. I believe I may state, without hesitation, that the Committee will have the same evidence from the highest authorities as regards the people of Behar—that is in northern Bengal—where the people are very poor, and where the difficulty in respect to the sale of silver ornaments might have been expected to touch them severely. I would add this, that, of course, if the closing of the mints had produced the effect of lowering prices all over India, that would have injured the agricultural class—the class who pay the land revenue; but, according to the experience of everyone who has a knowledge of India, and according to the statistics which the Committee have had before them, the effect of the circulation upon prices operates very partially and very slowly in India, and there is not an atom of evidence that I have seen to show that the closing of the mints has affected prices in the internal trade. I will not say that it has not touched the price of opium; but as regards the internal trade, the statistics prove, I think, as conclusively as any statistics can, that Sir Antony MacDonnell's opinion is right, and that it has not in any way affected the interests of the people with whom the Government has land settlements in the North-Western provinces. Perhaps the Committee will look at these statistics (they are in the Statistical Abstract annually presented to Parliament). Take the prices in the country—not Calcutta prices, but the prices up country—of the principal articles produced in the North-Western Provinces. I will not go into the figures, because they can be worked out by the members of the Committee for themselves; but, putting aside famine years, and taking ordinary years, the prices of almost every article which the cultivator produces in India have risen, and to that extent, of course, the land revenue has been eased. I have heard people say that, because this has happened, the Government of India would have a right to raise taxation on the people. I entertain the strongest opinion that the real safety of India depends on the land revenue being easy. It is the opinion of almost every administrator of any weight who has been responsible for the government of India, or the government of provinces of India, that the contentedness of the mass of the people depends upon the land revenue not being pushed up too high, and that, if possible, it should be so fixed that the people do not feel it. The Committee must recollect—I think Sir Antony MacDonnell explained it, but I repeat it because it is a thing to recollect—that the Government stand, more or less, in the position of landlord over the whole of India, and the position of the Government of India, if the land revenue was too high, would be just like that of a landlord whose rents are too high, and the whole of whose tenants are living in misery, and living from hand to mouth. One other remark as to the effect of the closure of the mints. I cannot say that I see that it has had any sensible effect upon the export trade. During the famine and plague years, you could not expect the full trade to go on, and the export trade has suffered. But I see that this season there is a great recovery, and this year is very likely to be as big an export year as any that we have had in India. I do not think I have anything more to say as to the effect of the closing of the mints.

8397. Do you think that the mints should be re-opened for the purpose of the coinage of silver?—My opinion is distinctly adverse to the re-opening

of the mints. I have no hesitation in giving that opinion.

8398. You consider it would be injurious to India and to its trade and commerce to re-open the mints?—Yes, and I would add not only to the trade and commerce of India, but to the interests of the people of India, to which I myself attach the greatest importance. I come here, perhaps, more to represent the interests of the people of India than anything else, because anyone who has been in the position that I have had the honour to hold must feel that the duty of those who have to administer India is to look after the general interests of the people.

8399. Then, one of the reasons that would influence you in being adverse to the re-opening of the mints would be that the financial position of India would, if they were re-opened, require an increase of taxation?—Yes. I may say that, so far as I have understood the arguments put before the Committee, the arguments of those who wish to open the mints are that it would encourage trade, stimulate exports, and concurrently, people getting more money for their exports, stimulate imports. It would encourage the tea planters and those concerned in other enterprises of that kind, because they would get the advantage for a time of the fall in exchange, until the wages paid to labour, and so on, rose in India; it would relieve them from the apprehension that they have, that their competition with China will be seriously interfered with by the closing of the mints while the price of silver in China remains at its natural level. I should have something to say upon this point, if any member of the Committee desires to ask me a question about it. But, on the other hand, you may put, as the advantages of keeping the mints closed, and establishing the gold standard, that you would arrive at stability of exchange; that English capital would be invested in India without risk, because with a falling exchange it is not reasonable to suppose that capitalists will send gold capital to a silver standard country. It is also, to my mind, a considerable advantage that the standard would be the same as that of the countries with which India does 80 per cent. of her trade. I think that the increase of prices which might follow—I use that word "might" deliberately—from the re-opening of the mints might benefit producers; but I do not believe that any stimulus is necessary for that, and certainly when the increase of the rupee circulation which would follow from the re-opening of the mints came to be felt in its full force, it would have the effect of raising prices. It would be very, very slow, but still it would have that effect. Then, consider who are the people who would suffer by that. It would be the consumers who are not also producers. The very poorest of the great masses of India, being consumers, would be injured—all those whose wages are very small—they would have to pay more for the articles of their daily consumption in consequence of the increase of prices. But whatever view may be taken of the balance of the arguments that I have just put before the Committee, it seems to me that the conclusive objection to re-opening the mints is in the fact that India would have to meet the heavy charge which it would involve.

8400. Do you mean the home charges?—The heavy charge which would be brought on India in consequence of re-opening the mints.

8401. Have you formed any opinion as to what the amount would be?—The best calculation I have been able to make of the sum to be made up if the gold price of the rupee fell from 16*d.* to 1*s.*, which is a reasonable calculation, is that from eight to ten crores of rupees would have to be found. Against this should be set some increase in the receipts from the Customs *ad valorem* duties; there, there would be some increase—not very large. There would be a considerable increase in the receipts from the opium sales, say, a crore of rupees. Many items of Indian revenue may be expected gradually to increase, but you cannot calculate on any considerable immediate increase. You see, from the returns year by year, that, although there is an increase, it is gradual, and it is not likely to be at all sudden.

8402. But you are rather assuming a 1*s.* rate, are you not?—Yes.

8403. The intrinsic value of the rupee now is 10*d.*?—Yes, but I add 2*d.*, because I think it is possible that the opening of the mints might have an effect on the price of silver. When I say that 8 to 10 crores will be necessary, there are people who estimate it at very much more than that. I have taken what I consider to be a reasonable estimate. The receipts from Customs and from opium would go a very little way to meet the additional charge, and it would have to be met in one of two ways, either by borrowing—which no one would suggest, because it is felt, I think, by every responsible person that any large increase of borrowing would probably land India in bankruptcy in no very long time—or the taxation must be increased.

8404. (*Sir F. Mowatt.*) Have you estimated at all the amount to set against the 10 crores increase of taxation?—If you put it at about 1½ crores, that is about as much as would be safe to calculate.

8405. At all events, you would put the *total* additional taxation at not less than 8 crores?—I would put it at 7 crores, if you like. I should be sorry to make an absolute estimate.

8406. (*Chairman.*) What Sir Antony MacDonnell says is this, at Question 5780: (*Q.*) "Will you give us "your opinion as to the economic effect of attempting "to increase the taxation of India? (*A.*) I suppose, "if the rupee fell to 1*s.* you would have, in order to "make both ends meet, to raise 10 or 12 crores "of rupees additional taxation, and, I suppose, from "my province I should be asked to raise 2 crores, "or thereabouts. I say that it would be impossible to "do that without producing such political discontent "as would be an extreme cause of danger"?—Whatever the amount may be, I have put it reasonably, as I think anyone will admit who has gone into the matter. It is better to put it a little under than to put it a little over.

8407. As there has been a good deal of suggestion made to the Committee as to the possibility or justifiability of increasing the taxation of India, we shall be glad to have your opinion upon the matter?—In the first place, I am not here to say that it would be an impossibility to increase taxation in India. I think it would be possible, but I think it would be in the highest degree unwise, both in respect of the trade of India, the welfare of the people of India, and I will go so far as to say the security of the Indian Empire. The Committee must recollect that, according to a statement before them, taxation has been imposed in India since 1884 to the extent of 6½ crores of rupees, so that we come, not with a clear sheet, but at a time when already the Government of India have had to put on that additional amount of taxation.

8408. During what period is that?—Since 1886. If the Committee will refer to the Appendix they will see that the income tax has been imposed, amounting to Rx. 1,800,000. Then there is the duty on petroleum, which is a small thing, Rx.155,000; the salt duty, which is paid by the very humblest classes in India, and is considered to be a great hardship upon them, has been raised by Rx. 1,600,000. Then the increase of duty on imported spirits comes to Rx. 100,000, the general import duties to Rx. 1,600,000, the import duties on cotton to Rx. 900,000, the increase of Kohat salt duty Rx. 50,000, re-imposition of the Patwari cess in the N.W. Provinces, which is a tax on the cultivating classes, Rx. 200,000, making a total of Rx. 6,405,000.*

* Note.—On looking again at Mr. O'Conor's figures I think the provincial licence tax which was absorbed in the Income tax should be deducted from this total. In the last year of its existence, that licence tax yielded Rx. 472,800, so that the net amount of fresh taxation would be Rx. 5,932,200.

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8409. Since the fall of silver?—Long since the beginning of the fall of silver. And, moreover, Mr. O'Conor, who prepared that Appendix, says "No "remissions or reductions of taxation can be noted "as a set-off against the taxation which has been "imposed since 1886." Those are the figures which justify my statement that there has been a large increase of taxation already in India.

8410. Now with respect to the suggestions that have been made as to the sources from which increased taxation could be had; first of all, will you deal with the land revenue?—I do not think anyone has advanced the proposal that we should interfere with the land settlements in India. Such a proposal would never be entertained for a moment by anyone who has had anything to do with Indian administration. It would create a reasonable ground for an accusation of want of faith against the Government of India, and would certainly be dangerous to the stability of our rule. At Question 7069, Mr. Steel suggests that the settlements might be shortened from 30 years to 10 years. I think there is the gravest objection to that. No one who knows anything about the process of altering the assessments in India, can fail to be aware that it disturbs very greatly the district that is being dealt with. The land revenue settlements in the North-Western Provinces are for 30 years. We know that for the year before, and for some little time after, the re-settlements, everybody concerned is disturbed; and to make re-settlements every 10 years would aggravate that evil very greatly. It has been the desire of the Government, as much as possible, by certain processes, such as taking averages, and so on, to reduce as far as can be done the evil necessarily arising from the making of fresh settlements. There must be some evil; but to alter the term from 30 years to 10 years would be, I think, a proposal which no Indian administrator of experience would support.

8411. The next point is the duty on imports?—I see Mr. Ralli proposes that the import duties should be trebled, and, I suppose, that an equivalent excise should be imposed upon Indian cotton manufacturers, so as to prevent any protective incidence of the duties. I, myself, looking at it as a man practically concerned in politics, think that it is a proposition which no Government here would entertain. We all know how difficult it was to persuade the cotton interests in England to accept the present low duties; and for the Government of India to propose to treble the duties would be to make it certain, in my opinion, that Parliament would not support them, and that it could not be carried out. Besides that, on the merits of the case, I am rather against the increase of the duties. Customs duties are not a good thing in themselves, and I should very much have preferred that the duties had not needed to have been put on at all. I approve of the policy for India of having as much free trade as you possibly can. It increases your imports and it increases your exports; and, as the solvency of India depends mainly on her trade, that is to say, that the exports of India should be larger than the imports, the more you have free trade the more you are likely to benefit the country. I should object in principle to increase the import duties, but I am bound to say that it is rather the middle and upper classes who consume Manchester goods, and, therefore, the poorer classes would not be much affected.

8412. But there is an excise duty on some Indian goods?—I was referring to the products of native hand looms, which I believe to be mainly used by the poorer classes.

8413. Then have you anything to say about exports?—I really think it is hardly necessary to argue about exports. Mr. Ralli proposed a 10 per cent. duty on shellac and jute. It has even been proposed to put a 10 per cent. duty on tea. I consider that, the financial condition of India depending so much on the exports being greater than the imports, it would be a suicidal thing to put a tax on her exports. I always thought that one of the first duties that ought to be taken off in India is the export duty on rice. I should very much like to see it taken off, and that has been the opinion of most men who have had to do with Indian finance, but they have not been able to carry it out. To tax your exports is simply to diminish the balance in your favour between exports and imports, and I do not consider that it is a reasonable proposal.

8414. Then the next would be the salt tax?—I believe you would get a crore, or something like that, by raising the salt duty from 2 rupees 8 annas to 3 rupees per maund. That would be entirely borne by the very poorest people in India, and also by the agricultural interest, because salt is very necessary for cattle, and it is supposed, even now, that the salt tax interferes with the agricultural industry. My feeling about the salt tax is that it is too high, both because it presses upon the poorest of the people, and because it is the only tax which, if it was put at a low figure, such as 1 rupee per maund, the Government of India could use in times of emergency to raise at once some increase of revenue without difficulty. We have already put upon the poorest of the people a taxation on salt to the extent of Rx. 1,600,000 in 1888, and I am opposed to any increase of that tax.

8415. Now, the other taxes are the excise and the assessed taxes. Have you anything to say about those?—I do not think you could rely upon any increase of those taxes. I believe the excise is now being worked so that the greatest possible amount is raised consistently with not encouraging the consumption of spirits. That is the principle upon which we have always worked the excise duties in India. There was another suggestion made, which is subject to the same objection as the tax upon exports, viz.:—that you should raise the railway freights. The Government of India have always looked upon railroads, not so much with a view to making profit or even paying interest on capital, but with a view to developing the trade of the country. Speaking generally on the question of raising taxation in India, I think it has been suggested by some of the witnesses that a committee should be appointed to ascertain whether taxes could be raised which nobody has ever thought of up to the present time. I believe I can say without hestitation that many Indian financiers and statesmen have considered with the greatest care what taxation can be raised in India. I have at home a mass of matter dealing with this topic. I have a whole volume about the suggestion of putting on a tobacco tax. The objections to raising a tobacco tax in India are not only that you would be taxing one of the little luxuries that the mass of the people enjoy, but you would have to create a gigantic system of excise. Every man who grew an acre, or a quarter of an acre, of tobacco would have to be watched by subordinate native officials. It would create the greatest discontent, and would be open to the gravest objection to any tax, namely, that the receipts which would come into the hands of the Government would be much less than the money paid by the people in order to conciliate the officials who had to collect it. I do not think that there are any new taxes that have not been fully considered and set aside by those who have been responsible for the Indian finances. I may mention to the Committee that, when I went to India in 1872, there was considerable discontent about taxation. I will not go much into the reasons, but the result was that, after giving the best consideration I could to the matter, I resolved to follow the course which my predecessor, Lord Mayo, had intended to take. When the income tax expired in 1873, I did not renew it, and I believe that that policy had a very good effect. I also endeavoured, as far as I could, to prevent any increase of taxation, even locally, excepting very gradually. The condition of India now—at least I hope so—is better than it was in 1872; th

people may be better off; but if I had to consider this question I should be guided very much by those who have been responsible for the finances of India and the administration of India since I was there. I should be glad if the Committee could refer to Lord Cromer's evidence which he gave in 1887 before the Gold and Silver Commission, because he went into all this very fully, and what I have stated now as my own conclusions is almost entirely the same as the evidence given by Lord Cromer. If I were responsible for the finances of India, I should consider that the evidence given before this Committee by Sir Antony MacDonnell (whose authority I have already alluded to), at Question 5795, would be conclusive, because it is the opinion of a practical administrator in the country. He says, "If taxation to the extent of eight crores of rupees, "not to say 10 or 12, were imposed, we should not "be able to hold India to-morrow without danger of "tumults and insurrections." That opinion is in itself very strong, but he adds words which make it to my mind still stronger, knowing, as I do, what a careful man he is. He says, "I think I am bound "to say that I have had exceptional opportunities of "knowing what native feeling is as regards the "imposition of further taxation on the country."

8416. In that opinion you fully concur?—I do. Then, I may remark also upon this subject that the taxes proposed to be put on would either fall on the mass of the people, and the larger portion on the very poorest of the people, or upon trade. This shows, I think, that the policy of the Government of India in preventing the further fall of silver, rather than imposing new taxation, is in the interests of the people and in the interests of Indian trade.

8417. Now, I will ask if you think that the present monetary situation should be allowed to continue—the mints closed, with no gold standard, and the whole control, so to speak, of exchange left in the hands of the Government by their being able either to restrict or enlarge the circulation?—Well, I am not quite certain whether the Government of India might not have delayed their proposals for some little time; I will not say that they could not have done that; but as they have been made, and as the question has been referred to this Committee, I am strongly of opinion that it ought to be decided. I fully see the objection to the present condition of the currency which the Chairman has suggested, viz.:—that there is now no real standard of value and no automatic process, certainly no effective automatic process, of regulating the currency. I think that this may be exceedingly dangerous to the interests of any country, and I do not believe that any Government in so large a country as India is wise enough or has information enough to enable it to regulate the currency. There ought to be some automatic process whereby, if a demand comes for currency, it can be supplied independently of the will of the Government. Therefore, I think that the question should be decided, and that the period of uncertainty which has existed since the closing of the mints should no longer be prolonged. Apparently it has had a bad effect upon the transmission of English capital to India; at any rate, it has prevented the flow of English capital to a certain extent, and it appears to have had something to do with creating stringency in the money market. But, at any rate, the sooner we get to a sound system of currency in India, the better.

8418. Have you considered the proposals of the Government of India to introduce an effective gold standard into India?—I have rather devoted myself to the question of principle and to certain other proposals that are before the Committee. If I am asked the question,—I do not agree with the proposals made by the Government of India.

8419. You are aware that, when the Government of India closed the mints in 1893, it was as a first step towards the establishment of a gold standard?—I think they would not have been justified in doing it unless it was intended as a first step towards a gold standard.

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8420. Then, what do you think of a gold standard for India?—I think I may say that I cordially support the view of the Government of India as expressed in the Despatch of the 16th September 1897. It explains so clearly what their views were, that, perhaps, the Committee will allow me to read it:—"The currency system of India is in a transition "state; the Government of India in 1893 decided to "establish a gold standard, and the first step towards "that object was the closing of the mints to silver "by Act VIII. of 1893. The silver rupee is still the "sole legal tender coin, though the Government has "by executive orders undertaken to receive gold "and sovereigns under certain restrictions set forth "in Notifications Nos. 2662 and 2663 of the 26th "June 1893, the rate of exchange adopted being 16*d.* "the rupee, or 15 rupees = 1*l.* The measures to be "taken when the transition period has passed have "not been laid down, but it is probable that the "Indian mints will be opened to gold, and gold coins "will be made legal tender to an unlimited amount; "silver rupees would also continue to be legal tender "to an unlimited amount; and the ratio between the "rupee and the gold coins as legal tender would "at the same time be finally settled. The system "towards which India is moving is thus a gold "standard of the same kind as that which now exists "in France and the United States, but with a "different ratio for legal tender; but for the present "the mints are closed both to gold and silver. The "transition period has lasted for more than four "years, but there is ground for hope that it is now "drawing to a close." I endorse the way in which that is put by the Government of India.

8421. You concur in that, totally irrespective of the mode in which they propose to carry it out?—Certainly. I do not agree with the particular method proposed by the Government of India in their letter of March 1898, which has been referred to this Committee.

8422. Now, have you given any consideration to the question as to how a gold standard should be established? In the first place, would you open the mints in India to gold?—Yes. I think that, in order to establish a practical gold standard, it must be accompanied by a gold currency. I do not understand a gold standard separated from a gold currency—I mean, separated from giving anybody who has gold the power of taking it to some place, and having it cut into pieces of the weight and fineness of the standard of value to be established. A gold standard means that by law a certain quantity of gold of a certain fineness, marked in a certain manner, shall be the measure of value for commodities, and I do not understand how such a standard can be introduced for any practical purpose unless the Indian mints are opened for the coinage of gold, and this is the same thing as to introduce a gold currency.

8423. The principle would be that the holder of gold must have the right to go to the Indian mint and have that gold converted into what would be a current coin, which would be legal tender?—Certainly. Without that, I do not see that you can have a really sound gold standard.

8424. Then what do you think about the converse proposition—taking silver, and having that converted into gold?—That is a very important question—one of the most important questions which the Government will have to consider from time to time. In my opinion, it is not necessary to the establishment of a gold standard that the token silver currency should be convertible into gold. It is not done in France at this day, and it does not seem to me that there is any necessity, as a matter of principle, for the token rupee coinage to be convertible into gold. At the same time, I think it is extremely desirable that rupees should be convertible to some extent, immediately if possible, but certainly in the process of time. Of course, it might be done in different ways. It is a

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matter rather of detail—a subsidiary matter to establishing the principle upon which the standard of value and the currency should be founded.

8425. We have had several schemes put before us for carrying out that gradual convertibility. Mr. Lindsay's appears to be confined to exchange purposes only?—I have very carefully considered, so far as I have been able, Mr. Lindsay's and Mr. Raphael's schemes, and I think they are very ingenious; but they appear to me, as the Chairman has said, to be for the purpose of establishing what Sir John Lubbock calls an "exchange standard"—a standard only for the sake of international exchange, and it is an essential point of Mr. Lindsay's scheme that there shall not be a gold currency in India. That is, to my mind, almost a fatal objection; and there is another very grave objection, namely, that his scheme imposes a liability on the Indian Government to change rupees for gold wthout any limit. I am not prepared to say that, if I were responsible for the finances of India, I would undertake that liability. It is one of those liabilities which it is impossible to estimate. We do not know how many rupees there may be in India, and we do not know how many rupees may be sent in to be exchanged for gold. There are some calculations before the Committee about the rupee currency, but they are not altogether to be relied upon, however carefully Mr. Harrison has made them, and he has certainly exercised very great care; but the liability is one, I think, that the Government would not dare to undertake. I may say that, as regards these schemes, I agree with the criticisms made upon them by Lord Rothschild and Sir Samuel Montagu. I do not believe that any scheme for bringing capital for temporary purposes to India by the action of the Government would be advisable. The Government would probably come out losers by any such transaction. I think the schemes are too artificial. In my opinion, the principles upon which the standard of value and the currency of a great country like India are to be regulated, cannot be too simple.

8426. Would you continue the rupee as a legal tender to any amount?—Unlimited at first.

8427. But with any idea of restricting it?—That is a matter which must be very carefully considered by the Government of India. I have been unable to find any materials to enable me to give an opinion as to what amount of transactions in India are small and what amount of transactions are large. My impression is that the great mass of the transactions, both of the Government and of the people, are small, and that it might, in the end, be feasible to limit the legal tender of the rupee, after a considerable time, to transactions below a certain amount. I will not state what amount, because I have no materials to justify me in making any suggestion of amount. At the same time it must be done with the greatest caution. Great care must be taken not to interfere with existing contracts, and also great care must be taken not to interfere with the feelings and prejudices of the people.

8428. Would you have the Indian mints coin sovereigns?—Certainly. I think the first step to be taken should be to make the sovereign legal tender in India—as you know, it is not so now—and to open the Indian mints for the coinage of sovereigns of the standard weight and fineness, the same as our sovereigns. The Imperial Government, of course, would allow those sovereigns to be legal tender all through the Empire, in the same way as Australian sovereigns.

8429. You think that would create an automatic flow and reflow of gold?—I think it would have that effect in a certain time. It would require a little time to produce that effect, but it would in the end have that effect.

8430. In the first instance, would gold have to be provided for that purpose by the Government of India?—I do not think that it would be necessary. I have seen it stated that to establish a gold standard and a gold currency in India would require an enormous accumulation of gold by the Government of India. I do not see that myself. I think that the supply of gold would be obtained gradually, and without any such great cost to the Government of India as has been suggested. In the first place, the opening of the mints to the coinage of gold would cost the Government nothing, except the cost of the coinage. Anybody who chose to bring gold to the mint would have it cut into a sovereign, and the Committee, of course, know that at this moment there are supposed to be something like 300,000,000*l.* sterling of gold in India. It will probably be to the advantage of some, at any rate, of the holders of that gold to bring it to the mints to be coined. Colonel Smith, the Mint Master at Madras, who was a very able authority upon coinage questions, thought that 30 or 40 millions of gold would be brought to be coined at the Indian mints, if they were opened to the coinage of gold. I do not see how the precise amount can be estimated, but that some gold would be brought in there can be no doubt. Then, again, if exchange goes up a very little above the present rate, gold will be sent to India to be exchanged for rupees. Then, again, I think, after certain notice and with every protection to individuals, the customs duties might be levied in gold, and if the Government of India went through the other items of revenue, it might be found that some of those other items might be collected in gold. Certainly the opium sales might be made for gold; there is no difficulty about that. Then I think that about three millions of gold are now produced in India. If the people who are interested in that production can manage to have the refining carried on in India they might send that gold to the Indian mints and have it coined at probably considerable profit to themselves. Therefore, I do not think there is any necessity for any large expenditure by the Government of India in order to provide gold. Some expenditure may be necessary, but it would be principally for the sake of facilitating the exchange of silver for gold and easing the rate of discount.

8431. (*Lord Balfour of Burleigh.*) I understand you have said two things—that the rupee is not necessarily to be convertible into gold, but, at the same time, it is to be legal tender for any amount—at any rate, for the present?—Yes.

8432. If it is not to be convertible, is it not absolutely certain that there will be some difference of value between the number of rupees which is to be the standard equivalent of the sovereign, and the number which you would have to give for the actual exchange into gold; in other words, will there not certainly arise some premium upon gold?—It is possible; just as in France, when the double standard existed, sometimes you had to pay a little premium upon the Napoleon.

8433. Then is it not obvious that you will have, in this case, a premium upon gold?—The real practical working of it, I take it, would be this, that silver would be, for almost all purposes, the currency of India—for the great mass of the transactions of the people.

8434. Then does it not follow that you have not, except in name, established a gold currency and a gold standard together, and that every debtor will exercise his option and pay in silver?—I do not follow the question completely. If it is meant to imply that a gold standard cannot be established while token coins of silver continue to be unlimited legal tender, unless the two are convertible, my answer would be, I think, that, in the first place, that is practically the system in France at the present moment.

8435. Does not that involve this logical result—that that is saying that the circumstances of France are the same as the circumstances of India, and that the analogy can be carried out all through?—Everybody knows, of course, that the circumstances of France are not exactly the same as the circumstances of India, but I do not think that affects this particular question, as

8436. (*Chairman.*) It is so in America too, I think?—I do not know anything about the American system. I think it would be better, in order to carry that part of the subject a little further, to say that I propose that in some way or other rupees in large sums should be convertible into gold to a limited amount. I do not think there would be any difficulty as regards internal transactions; but as to foreign exchanges, I think there is a difficulty that has to be met in some way.

8437. Then have you formed any opinion as to the ratio that we should fix?—I think the evidence that you have had is entirely in favour of fixing 1*s.* 4*d.* There is no doubt that the greatest difficulty in the whole of the scheme is whether that ratio can be kept up or not. The 1*s.* 4*d.* ratio has a good deal to recommend it. First of all it is the present ratio; apparently the trade expects that that will be the ratio fixed; the number of rupees to be exchanged for a sovereign is very convenient, one sovereign for 15 rupees, which is the same rate at which the gold mohur used to exchange for rupees; and curiously enough the subsidiary coins fit in admirably, you have one anna for one penny, and 240 annas for £1.

8438. How would the position of the currency note issue be affected by a gold standard?—That is a very difficult question, and I should be sorry to express any positive opinion about it, because I think it must be carefully considered by the Government of India when the principles are established. At the same time, I should like to say that in my own opinion something might be done by the Paper Currency Department—I mean through the present note circulation—to provide for what Lord Balfour of Burleigh suggests—namely, some convertibility of the rupee into gold. I think that it might be possible that the large notes issued by the Currency Department should be convertible into gold at the option of the holder. Those notes have been issued upon silver. The liability would not be very serious, it would be a liability which could be undertaken without any great risk. It would amount, I think, to about 6,000,000*l.* sterling. The present note circulation is 25 crores, of which rather less than half is in big notes; of those a great many are held by the Government treasuries. That would for a time, at any rate, ease the difficulty in the way of sending capital to India to finance the crops in the busy season, and it would be a liability which would not be beyond the power of the Government of India to meet; and it is a liability that need not be extended. It would be at first limited to the number of notes now in circulation. That seemed to me to be a possible way, but I beg the Committee to take this as merely a suggestion. I do not mean to say that there are not other ways and better ways of doing the same thing; but this occurred to me as a possible way of doing it, and I thought it would be more acceptable to the Committee if I examined the subject from a practical point of view, and looked at all these points to see how, supposing I had happened to be responsible for carrying out the change of standard, I should endeavour to work it.

8439. (*Sir F. Mowatt.*) Does your Lordship contemplate any special fund to meet that 6,000,000*l.* sterling which might be necessary for converting the notes?—Yes, they have now a quarter of a million of gold in the Currency Department. If more gold came in, in consequence of the rise in the rate of exchange, some of that gold might be transferred from the general balances to the Currency Department. Besides that, I should like to see some assistance given by the Imperial Government in this matter. I think a fund should be provided, so that there should be absolute certainty about the convertibility. There must not be any doubt about the matter.

8440. (*Sir D. Barbour.*) A fund in India, I understand you to say?—Yes, in India.

8441. (*Chairman.*) What would be the effect, in your judgment, of the establishment of a gold standard upon the Government rupee debt?—The closing of the mints, of course, has been a great benefit to the holders of the Government rupee debt, as I explained before. I should be sorry to say what should be done in detail with respect to that debt. The return of the different loans which is before the Committee is very complicated, and I think it is one of those subjects which must be left to be considered afterwards. The holders of the debt have gained by the action that has already been taken, and I do not very well see that they can lose by anything which may be done further in the matter.

8442. With reference to the Imperial Government supporting the Government of India, do you think there should be some assistance in some shape, either in credit or in gold?—Yes, I know it has been held by people of great authority that the Imperial Government should never use its credit to assist the Government of India; it has been said on this side, and even in India, that the independence of India would be risked, if the Imperial Government helped India in this manner. I do not attach much importance to those arguments. The fact is that the Government of India has no independence in respect to financial questions. Any important financial question is determined by the Government of England. Look at the imposition of import duties on cotton manufactures. India had no power to impose those duties, and it was a very long time before she could get the Government of England to agree to them. It was greatly due to the Chairman of this Committee that they were imposed at all; he, as Secretary of State for India, had the courage to get up in the House of Commons and declare that the interests of India ought not to be sacrificed to the interests of this country, however large.

8443. Would you wish, yourself, to make any suggestion upon that part of the subject?—Yes, I should not advocate any such assistance from the Imperial Government to the Government of India as taking the responsibility of the whole of the Indian debt. I do not think it is necessary. I think India is able to pay her way with proper management of her finances, and I think it unadvisable; it would be unpopular in this country. But when India is engaged upon a financial operation of such great difficulty and importance as the change of the standard and currency of the country, I think that is a time when, more for the moral effect—more for the purpose of giving confidence to the commercial world that the change is to be carried through—than for the financial advantage of the assistance, the support of the Imperial Government should not be confined to a mere approval of the Indian proposal. It would cost the Imperial Government nothing, because India would pay interest on whatever money was advanced to her, but in some way or other—either in the way I have just suggested to the extent of 6,000,000*l.* or 8,000,000*l.* to guarantee the convertibility of the Indian note issue, or in some way or other—I attach the highest importance to there being the moral support of the Imperial Government, and, as moral support is not of much good unless you put your hands in your pockets, that moral support should be confirmed by some liability being undertaken by the Imperial Government.

8444. There is one proposal that has been mentioned that I think I should have put to your Lordship earlier—the proposal to levy an import duty on silver?—A great many high authorities have advocated that; but, after considering it very carefully, and, if I may confess it, after at first being in favour of it, I came to a conclusion against it. I do not see why you should prevent the people in India from getting silver at a reasonable rate if they want it. I suppose the women of India are not unlike the women of other countries—they are very fond of ornaments. The women of the poorest classes wear brass bangles or bone bangles on their arms and ankles. Then, in the class a little better off, they wear silver bangles. It is quite a mistake to suppose that this is only a sort of bank into which the natives deliberately put their savings; it is just for the sake of ornamenting their

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wives. As they get richer they get gold bangles, and when you get to the wealthy classes, they have pearls and diamonds and every sort of jewels. But I do not see why you should not let the people of India have silver at a reasonable rate if they want it, and I think a change in the standard of the country should be carried out with as little disturbance of the general interests of the people as possible. I think it might have a bad effect upon the people of India if they were told we were going to prevent them getting any more silver. It is advocated mainly, I understand, on the ground that it would prevent illicit coinage. That is a very difficult question. The Indian Government, I understand, say that there is no illicit coinage going on.

8445. Not that there is no illicit coinage, but they think that there is no excess over the average?—I hope there is none; but, at any rate, putting a high import duty on silver would not have much effect. The Committee will recollect the coast line of India and the land line of the Indian frontier. Is it reasonable to suppose that, if you put a high import duty on silver, you could prevent smuggling? I do not think it would be possible, and that would be worse, probably, than having some little illicit coinage.

8446. (*Sir D. Barbour.*) You might also mention the French and Portugese settlements in India?—Yes, I suppose you would have to get a treaty with France to prevent silver coming into Pondicherry. Another reason against the duty, and it is not one to be despised, is that it would raise opposition from a very important interest, namely, the silver interest. That is a very great interest in the world, and I would not raise any opposition of that kind, unless it were absolutely necessary.

8447. (*Chairman.*) Have you any observations to put before the Committee as to the objections which have been raised to the introduction of a gold standard into India?—Yes. The first objection is that the gold standard is not suitable to India, because India is a poor country. I really do not know what is meant by a poor country. If wealth is to be determined by revenue, or trade, or credit, I cannot admit that India is a poor country in comparison with many other countries that have a gold standard. Of course, local exchanges of commodities in India are carried out, principally, not even in silver, but in copper, and gold coins would only be used in the larger transactions. But it does not follow that gold would not be extensively used for those transactions. Another objection raised is that a gold currency is unsuitable to the Indian people. Sir Robert Giffen, in an article he wrote the other day, said there is no demand for a gold currency in India; but, in my opinion, by far the greater weight of authority is upon the other side. In order to establish this, I must trouble the Committee with a short history of what has happened in India with regard to coinage. The unit of the Hindu coinage was gold, and gold coins were in circulation before the Mahomedans came. The Mahomedans introduced the rupee, but at the same time gold coins called mohurs were freely circulated. At first, under the East India Company, gold and silver coins were both legal tender. There is a Despatch which has been laid before Parliament (I think it was moved for by the Chairman of this Committee) from the East India Company in 1806. In that Despatch you will find a very interesting piece of evidence on that matter. In paragraph 20 you will see that, under the Government of Madras, gold coins were then the principal currency, money of account, and the measure by which the pay of the troops was generally calculated. Those gold coins were of a very moderate amount; they were called star pagodas, and were worth about 8*s*. They were the currency of Madras at that time. Gold and silver coins remained in circulation as legal tender till 1835, when the silver rupee was made the sole legal tender. Notwithstanding that, a considerable amount of gold continued to be coined at Calcutta, and gold coins were received at certain rates at the Government Treasuries. A stop was put to that in 1853, but, nevertheless, gold continued to be coined; and, in 1857, the Bombay Government recommended the introduction of the sovereign as legal tender. At about the same time, there were so many English sovereigns—or, rather, Australian I think they were—introduced into some districts of Madras by labourers returning from Ceylon and Mauritius, that the Government were obliged to receive them into the Treasuries, and a gold currency based on the sovereign would rapidly have superseded the rupee currency, if the Government of India had not prevented it. That is stated by Sir Charles Trevelyan in a Minute written in 1864.* In 1864 the principal commercial associations in India recommended a gold currency—the Bombay Chamber of Commerce, the Bengal Chamber of Commerce, and the Madras Chamber of Commerce—and the Government of India in the same year recommended the introduction of the sovereign as legal tender. In 1866 the Calcutta Chamber of Commerce again recommended the introduction of the sovereign as legal tender. A Commission was then appointed to inquire into the matter, and reported that, "The demand for gold currency is unanimous throughout the country." Sir Charles Trevelyan's Minutes will be found to give the whole account of this matter, if the Committee wish to know any more about it. While I was in India, in 1872, Sir Richard Temple, who was then Financial Member of Council, wrote a Memorandum recommending a gold standard and gold currency in India. There was no man who had more experience of India all round than Sir Richard Temple. He had been in almost every part of it in responsible positions, and he would not have recommended this, if he had not believed that a gold currency was likely to be acceptable. I wrote to ask him whether he would allow me to place this Minute of his in the hands of the Committee, and he said he was quite willing that I should do so. Therefore, I put it in the hands of the Chairman, and, if he so pleases, it can be printed with your proceedings. (*For this Minute, see Appendix.*) In 1878 the Government of India recommended a gold standard, and the ultimate adoption of a gold currency. I have mentioned already that Colonel Smith, the Master of the Mint at Madras, was in favour of a gold currency. I may just add this. Perhaps some member of the Committee may say, How is it, if you had this recommendation from Sir Richard Temple in 1872, that you did not adopt it? The answer is a very simple one. That was a time when gold was appreciating, and it was impossible to do it. Then, after that came the question of bi-metallism. That, I think very properly, turned all the thoughts of the Indian Government in the direction of trying to keep the silver standard by securing an international monetary arrangement with France and the United States of America, and, therefore, the particular question of the gold standard and currency went into abeyance. But, at the same time during those discussions, when Lord Reay and Sir Louis Mallet were the representatives of the India Office at the Monetary Conference of 1881, after coming back from that inquiry *re infectâ*, without having been able to do anything, they reported that India, by adopting a gold standard, could, in a few years, obtain a supply of gold sufficient for all [illegible] of her commerce as a standard of value, and [illegible] difficulties derived their force rather from [illegible] of England and other gold-using countries [illegible] those of India itself. Now, this I want to put before the Committee. There is a remarkable fact which presents itself to me in looking back at all this again—because I knew it before—namely, that all through these papers, and all through the consideration and discussion of this question, there is hardly a single suggestion, from any one with a knowledge of India—I doubt whether there is any suggestion at all—that a gold currency would not be popular in India if other circumstances rendered it desirable. I therefore venture to think that, if the

* *See* Commons Papers No. 79 of 1865 and No. [illegible] of [illegible]

history of coinage in India is considered, the balance of authority shows that there is no ground for rejecting a gold currency as being unsuited to India. I am glad of having had an opportunity of putting this forward, because I have not seen it in evidence, nor is it elaborated in any of the publications which I have read on this subject. Another argument against a gold standard is that its cost would be enormous. I have dealt with that already; I do not admit it. I would add that the evidence given by Lord Rothschild and Sir Samuel Montagu, and the facts as to gold production, show that such gold as would be required in India could be easily supplied out of the gold production of the world. The production of gold in the world has increased in ounces from 5½ million ounces in the years from 1876 to 1880 to 12 million ounces this year. In Mr. Bryce's excellent book upon South Africa, he gives a calculation of the future supply of gold from the Transvaal. He says that "the "view of the most competent specialists is that "the value of gold to be extracted in 50 years is "about 700 million sterling, and that the produc- "tion may not fall short of 10 million sterling a year; "and, with improved economical and administrative "conditions, might reach even a larger sum." Therefore, I think that the difficulties which existed, no doubt, when gold was appreciating, need not now stand in the way of making this change. There is no reasonable probability that anything that the Government of India may do, or any reasonable quantity of gold that they may want, can seriously interfere with the gold market of the world or injure any gold standard countries. Those are the replies which occur to me to the arguments which have been used against the introduction of a gold standard and a gold currency.

8448. Do you think, taking all these circumstances into consideration, this is a suitable time to make such a change?—I cannot conceive a better time than the present. You have got the exchange up to 1*s.* 4*d.*; you have got a large production of gold, and everybody expects that some decision will be come to upon the matter. You have another great advantage in a very favourable financial year—in all probability there will be a considerable surplus which will give the Government a command of the situation to a great extent—and, taking all the circumstances together, I cannot conceive a better time to make the change than the present.

8449. Is there anything else that occurs to your Lordship to mention to us?—Yes. I have three other observations to make. One is, that, if this measure is to be carried out, the Imperial Government should give their moral support, and, to a certain extent, their material support; but there is another condition which I think ought to be secured, and upon which I hope the Committee may think it desirable to express an opinion, that the utmost steadiness should be pursued in the management of Indian finances. When you are making a great change of this sort in the currency of a nation, you ought to have command of the situation, and, as the Government in this good year are likely to have 3 crores surplus—perhaps more—I think it is almost essential to the success of this operation that they should not spend that surplus, but that they should hold it in hand to use either by, if necessary, buying gold, or in any other manner. I think it is so important a thing that, if I were Secretary for India, I should recommend the Council to issue instructions to the Government of India that the Budget of the coming year should be a temporary Budget. A new Viceroy is going out, and a new Finance Minister, and this great measure is to be carried out. I think the Government should be told not to remit taxes. Although I should like to see the salt tax reduced, yet I would not make any reduction at this time, because the people are fairly prosperous, the terrible calamities of famine and war have passed, and the calamity of plague is, I hope, passing away. But, above all things, I should insist that there should be no increased expenditure—that the Indian Government should not authorise an increase of expenditure of any kind in the coming year—that they should resist the applications of the Military Department, and postpone everything for another year, until this matter is settled; and in the same way with the other departments of the Government. I know well enough the pressure there is, when there is a surplus, for increase of expenditure of all kinds; but, if the Government deliberately say that, in the face of this affair, they will not increase expenditure—I do not mean to push it to a pedantic extent, but to any considerable amount—I think they would be doing a wise thing, and doing what is the most important, and almost the essential, thing in order to carry this great change satisfactorily into effect. I attach the greatest weight to this. In the same way, at home, I would take care to increase none of the gold liabilities. I would not for the time enter into any arrangements which would increase the gold liabilities of India in this country. I would say, this is a moment in which we must be steady in our finances, and get command of the situation. The only other observation I desire to make is in relation to the effect of this change, if it is carried out, upon the policy of having an international arrangement as to the opening of the mints of the United States and France to the coinage of silver at a certain ratio with gold. I have seen it stated that there is some prospect that France and the United States might consent to opening their mints to silver, at a ratio of 1 to 22, instead of 1 to 15½, which was an impracticable proposal. If that were carried out, the ratio of 1 to 22 would be the same as the 16*d.* ratio for the rupee. If I were asked what effect the proposals which I have made for the introduction of a gold standard and currency into India would have upon that, I should say, in the first place, that it need not interfere with such an arrangement. We should be exactly in the same position in India as France is now in. We should have a gold standard with a gold currency, and a silver token currency circulating alongside of gold. There would be no difference between India and France with respect to opening the mints to silver, if it should be desirable to do so. And, moreover, if it is a question whether there would be more probability of carrying out such an international arrangement through India having done this, instead of opening her mints now to silver, as some propose, I say India would be in a stronger position than if she opened her mints to silver. If she opened her mints to silver to-day, she would have nothing to offer. I have no knowledge that such an international arrangement is at all likely to take place. If my opinion were asked, I should say it is improbable; but I think it is desirable to show that the change of standard would not interfere with an international bi-metallic arrangement, because a very powerful interest in this country, and a great number of very able men, including several members of the present Government, are bi-metallists, and I want to show that, from their point of view, no obstacle is put in the way of carrying out their views, supposing they should turn out to be sound, by the alteration of the Indian standard.

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8450. Now, have you any observations to offer us on the working of the Indian Currency Department?—I do not know whether the Committee would like to hear what I have to say about this, but I have seen some evidence by Lord Rothschild and others as to the management of the cash balances in India, and I observe that the idea is put forward that there should be a great bank in India like the Bank of England, which would manage the currency, and have the full use of the Government balances. I should like to say something upon this subject. It is a difficult question, and I want to point out to the Committee that it was very fully considered about the year 1861, when I happened to be Under Secretary, and Lord Halifax (then Sir Charles Wood) was Secretary of State for India. The whole history will

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be found in papers laid before Parliament at that time.* Sir Charles Wood had a strong opinion that the note issue should be entirely separate from the banks, and that it should be managed by a Government Department. After a very long argument (because Mr. Laing, who was then Finance Minister in India, took the other view) the present system was established, and I should be exceedingly doubtful as to the policy of altering the present system, after it had been so fully considered by so great an authority in all currency matters as Sir Charles Wood was. Now, as to the arrangements with the different banks, as the Committee know, the Bank of Bengal, the Bank of Bombay, and the Bank of Madras are, to a certain extent, Government departments. The Government have a strong hold upon them. They had at one time, at any rate, representatives on the management of the banks. The Bank of Bengal, which I had mainly to do with, was managed exceedingly well, and we had every confidence in its transactions. But, at the same time, I do not think that these banks, in their present condition, have the capital or the strength which would enable the Government to treat them in the same way as the Bank of England is treated in this country. The Bank of England is the product of a great number of years, and it has the absolute confidence of the Government and the public. There is no reasonable probability of establishing a bank, in my opinion, that could occupy the same position in India. As regards mixing up the currency with the banking business, it must be remembered that, although commercial crises in this country have been met by allowing the issue of notes by the Bank of England beyond the statutory limit, that would not do for India. In a crisis in India you want rupees, you want the actual money for payments up country. I can give the Committee an instance of what happened to me in connexion with this particular subject. In the year 1874 there was a famine in Bengal, and in order to feed the people we had to buy rice in Burma and send it to Bengal. In order to get the rice we had to pay hard coin, rupees, for it. The banks then had the full use of the Government balances, and the Bank of Bombay had at that time more than a million tens of rupees—a million and a half I believe—of the Government balances. In order to pay for the rice, we wanted some of this money. When we asked the Bank for it, we had the greatest difficulty in getting it. The Government of Bombay objected, and it was only after considerable correspondence and by insisting upon getting our money that we got at last about half a million of the million and a half that they had of our balances. It was so serious a condition of things for the Government of India not to be able to get their money when they wanted it, that we addressed the Secretary of State on the subject, and the correspondence is given in the evidence published in the first Report of a Commission now sitting on Indian expenditure, at Question 2805. We said:—"We have been much impressed with the "consideration that the effect of the existing agree- "ments with the banks, which compels us to place "all the cash balances belonging to Government in "their hands, leads to consequences which may be "very inconvenient, if not worse, both to Government "and to trade. The only use of these balances to "Government is that they may be made available "the moment the public service requires them. We "have had no difficulty in regard to the balances in "the hands of the Banks of Bengal and Madras; "the Bank of Bombay, however, protested against "meeting drafts upon it, and, on the urgent repre- "sentations of the Governor of Bombay, we were "obliged on the 29th January to allow a month's "time before drawing. The Bank of Bombay, "accustomed to high Government balances and "relying on the maintenance of these balances, had "so employed them that they were practically locked "up; for, had we insisted on withdrawing them "more suddenly, we should have done so in the face "of a warning that we should produce a commercial "crisis, and, therefore, for a time, the Government "balances at Bombay were useless for the purposes "of the Government." The upshot of it all was that an alteration was made, and at our recommendation the Government now hold about 2 crores in the reserve Treasury. They are not bound now to keep the whole of their balances in the banks, and they keep 2 crores actually in their own hands, which they can use on an emergency. I do not think it is safe for the Government of India not to have the absolute command of 2 crores of rupees.

8451. At each bank do you mean?—No, 2 crores altogether. I do not think it is at all an unreasonable amount, and it is not safe to have less. The Government of India are in quite a different position to the Government of England. The Government of India, if they want money, could not get it in India to any considerable extent, and, if they tried to get it and failed, it would bring them into great discredit. Therefore, I do not think the Government should be bound to keep the whole of their balances in the banks. It is not, in my opinion, the business of the Government of India to finance Indian trade; it is the business of commerce to finance Indian trade. At the same time I do not see why the Government of India should not to any reasonable extent assist trade by allowing the use of their balances by the Presidency banks with proper precautions; but I want to point out that it is not safe to put the whole of the balances in the hands of the banks, judging by the experience that I myself have had. Then, as regards the recent stringency of the money markets in India—I think that the recent stringency must to some extent, at any rate, have been caused by the closing of the mints—possibly not to the full extent which some people think, but, at the same time, to some extent. The grounds on which I come to that conclusion are these. Suppose anyone wanted rupees to finance the rice or jute crop in India, he could not buy silver in the market on credit and take it to the mints and get rupees, because of the closing of the mints. It is said, Why could they not send gold from England, with which they could get at a certain rate rupees in India from the Government treasuries? I think the answer is simple; they might lose money if they did so, because they could not tell whether the exchange would keep up, and they would not know that they might not lose money when they came to send their money back again. Therefore, I think, the closure of the mints has had something to do with the stringency. Well, I think the Government are bound, to the best of their ability, so far as it is safe to the Indian finances, to take care that this does not occur again. I think that in this transition time (I do not say you should do it in ordinary times) when there has been a tightness, in my opinion partly caused by the closing of the mints, the Government should meet it in some way or other. It is a bad thing even for the commerce of the country, because it is a charge on the export trade. I hope, when the gold standard and the gold currency work effectively, you will get rid of the difficulty, but in the interim I should like to see some plan carried out to meet it. I will suggest no particular plan, because that is a matter which ought to be left to the Government to decide. I do not think I have any other observation to make upon that. I could say more about this banking question, but it is a matter of detail, and it hardly really comes within the limits of the questions referred to this Committee.

8452. Do you think gold would flow out of India?—I do not see any reason to suppose that gold would flow out of India; of course, it must flow in and flow out. When there is a gold standard, if the exports fail, as they did in the time of the famine and the plague, gold will go out of India, it cannot be helped; but in ordinary years I do not see any reason why it should. All the statistics show that

* *See* Commons' Paper, No. 109 of 1864. East India Paper (Currency, &c.).

India for a long series of years has been a large importer of bullion, and that will continue, I think.

8453. I should have put it "an abnormal flow" ?—I see no reason to anticipate it.

8454. (*Sir D. Barbour.*) You mentioned what the probable cost would be to the Government of India if the mints were opened to silver; you put it that 10 or 12 crores would have to be found. But if there is a surplus at the exchange of 1*s.* 4*d.* of, say, 4 crores for the sake of argument, that surplus would be available to meet a portion of the total cost?—No, that would be a surplus for one year, and you must look at the future.

8455. I am assuming that it is a permanent surplus? —I do not think anybody who knows anything about the finances of India can rely on a permanent surplus.

8456. That depends on circumstances; but, if in the present year the 1*s.* 4*d.* rate of exchange gave you a surplus of 4 crores, and that surplus were a permanent one, it would be available to meet a portion of the extra cost?—Yes, that is a mere matter of arithmetic; but if you ask me whether it is desirable that it should be so used, I have an answer to give. Undoubtedly, as a fact, if there should be a surplus, it would be available.

8457. If it were decided to take some further steps at once to establish the gold standard, it would be necessary, would it not, to decide, once for all, on the ratio between the silver rupee and gold—to decide finally?—In establishing the gold standard, it would be necessary to decide on the ratio. When you ask me whether it is necessary to decide finally, I think my answer again is, Yes, it should be decided finally.

8458. You know that the rate of exchange at present is about 1*s.* 4*d.* ?—Yes.

8459. I suppose you would admit that, if there was considerable borrowing by India at any particular time, that would help to keep up the rate of exchange so long as the borrowing lasted?—Certainly; it would reduce the amount of Council bills that would have to be drawn.

8460. Also if there was an unusually good export trade from India, that would help to keep up the rate of exchange?—Certainly.

8461. I daresay you are aware that there is considerable borrowing this year? — I did not know it.

8462. You may take it from me that there is considerable borrowing, according to the figures that have been put before the Committee. You have also stated that this is a good export year?—I believe so. Certainly a great quantity of wheat has been exported.

8463. Those two causes, either to a greater or less extent, are keeping up the exchange at the present time?—I should think, certainly, it must have a great effect upon it.

8464. Therefore, it may be that, if conditions were normal, the exchange would not be 1*s.* 4*d.* ?—Yes. That is to say, it might be that, under other conditions—I do not say if the conditions were normal, but under unfavourable conditions — the exchange might go down. I admit that.

8465. If you fixed 1*s.* 4*d.* now, and under the conditions that prevailed during the next 5 or 10 years there was a tendency for exchange to fall, you might have considerable difficulty in making that rate effective? — Yes, that is the greatest difficulty in the whole matter—whether you can keep up the exchange to 1*s.* 4*d.* or not. It is a difficult point, I admit. My feeling is that it is quite possible that, as in any great change of this sort, you may meet with some difficulties before it is carried through; but, at the same time, I think that, as the Government of India have closed the mints, they have command of the situation, and they cannot help, in the end, establishing the 1*s.* 4*d.* rate.

8466. I suppose you are not prepared to say positively whether or not those difficulties would be experienced, or how great they would be?—We must be prepared for difficulties, and that is one reason why I consider that we ought to have a considerable surplus in hand; but I do not see how the Government of India can be defeated if they steadily stick to their plan, because they have the command at the other end of the stick, as you may say — they have the command of the coinage of silver, and any supplement to the coinage would come automatically through gold.

8467. You made a suggestion that some of the higher notes that are issued already might be payable in gold?—Yes.

8468. These notes have been issued in this way: A man paid 10,000 rupees in silver into the Currency Department, and got a note for 10,000 rupees. If he presented that note for conversion now, he would get out the 10,000 rupees?—Yes, he has a right to get rupees for it.

8469. You propose to give him gold if he asks for it?—I must beg the Committee to think that that is merely a suggestion thrown out by me. I do not attach any final importance to it, providing some other way is found which may be better to convert, to a certain extent, rupees in large amounts into gold.

8470. When that note had been cashed for gold, there would then be 10,000 rupees available for any purpose in the Currency Department?—Yes.

8471. Would you propose to keep them?—Yes, I should not let them out.

8472. To that extent you would contract the currency? — Yes. I do not mind contracting the currency, provided you have an automatic system. I have a strong objection to contracting any currency when there is no automatic system for meeting the demand; but I do not mind if we have a gold standard with a gold currency, because the difficulty could be met by the coinage of gold.

8473. And I suppose you would agree that, as a matter of theory, it is quite sound and quite safe to say that, if you continue contracting the rupee currency, you must raise the value of the rupee in gold?—Well, I hope the value of the rupee will remain quite steady. I do not want to raise the value of the rupee.

8474. But you would wish to prevent it from falling below 1*s.* 4*d.* ?—Yes. Whether there may not be variations before you arrive at it, I would not say; but you would do it in the end.

8475. I asked you that question because it has been said that it is impossible for India to have a gold standard or a gold currency, on account of the magnitude of the foreign payments she has to make?—The whole tendency of my evidence is that, having considered it, I believe it to be both possible and practicable.

8476. I understand you to contemplate that the legal tender of silver rupees should be limited at some future period?—Yes, but I should be sorry to say when.

8477. Is there any very great necessity for making a change of that sort quickly?—I do not see any necessity.

8478. What harm would arise from the silver rupees continuing to be full legal tender?—I do not see that any great harm would arise. But I do not think that the French system of currency is as good as the English system, and I should prefer to see, as far as possible, the Indian system assimilated to the English system. That would involve some limitation of the amount for which the rupee is to be legal tender; but I do not think that this is at all an urgent matter.

8479. Now you were asked whether, if silver rupees were not convertible into gold, there might be a divergence in the value of the silver rupee and the sovereign?—Yes.

8480. I think you are opposed to the Government undertaking to convert rupees into gold to an unlimited extent?—I do not think they could. That is the objection I make to Mr. Lindsay's plan. I think that is a liability which the Government would decline to undertake.

8481. A man who holds silver coin in this country is not entitled to go and demand gold?—Certainly not.

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8482. Nevertheless, the silver coin maintains its value with reference to the sovereign?—Yes, but I do not think silver coinage in England is quite analogous to the rupee token coinage in India in respect of the amount of circulation.

8483. But I merely wish to bring out the fact that the value is maintained, although there is no legal convertibility?—Yes.

8484. It is possible under certain conditions to maintain the full value, though there is not legal convertibility?—I should like to say something more upon that question of the possibility that there may be a difference in value between the token coin and the sovereign. I do not see that there is any likelihood of the silver token coinage being of greater value than the sovereign, for the sovereign would be exchangeable for 15 rupees at the Government treasuries. If it should be so, that might be a danger to India, because it would have a tendency to lower prices; but I do not see any danger of that, because, the Government having the command of the coinage of silver, if they saw any demand for rupees, they could coin more. I do not see that the danger can arise.

8485. The shilling is kept at $\frac{1}{20}$th of the £ because the coinage is limited. If you coined shillings to an unlimited extent and issued them, you would probably find that they depreciated?—I am not certain what would happen then.

8486. There would certainly be some change?—I cannot conceive the English Government doing that. I suppose that, if they did so foolish a thing as that, the shilling would depreciate, perhaps, to sixpence. You might have to give two shillings instead of one.

8487. If they issued silver coins to an unlimited extent, those silver coins would accumulate in the banks or in the hands of certain persons, and, in order to get rid of them, they would have to offer them at a lower rate; that is, the silver coins would depreciate?—I suppose so.

8488. So that what keeps the silver shilling at its full value—$\frac{1}{20}$th of a sovereign—is the limitation of the coinage?—Yes.

8489. (*Mr. Holland.*) I think you said that the closure of the mints was, in your opinion, justifiable, and had not been accompanied by any serious interference with private interests?—Yes. Bear in mind that I use the word "serious."

8490. You are aware that we have had it in evidence before this Committee, that the great stringency in the money market, that has occurred in consequence of the closing of the mints, has been a most serious hindrance to some branches of trade?—I admit that the stringency was partly caused by the action of the Government in closing the mints—not altogether, for it was partly caused by a quantity of rupees having to be sent up country for the war and famine. At the same time, if you look at the diagram which has been placed before the Committee, the rise in the rate of discount was not very abnormal. There have been equally high rises in several years before this happened. It seems to be rather a chronic thing in the money market in the Presidency towns. I cannot explain it; I do not know enough about the business of banks to be able to say why it should be so. I suppose some people make money out of it, but for the country it is a bad thing. I do not consider that it was a very serious matter, but I admit that the stringency was partially caused by the closing of the mints, and I hope that a remedy can be found for it.

8491. Am I right in understanding that you are in favour of immediate action being taken, or would you rather wait?—If I had the power of settling this question, I should not hesitate at once to make the sovereign legal tender in India, and to open the mints for the coinage of gold. I do not suppose the Government can do that, but if I could do it, I would go at once that far, and no further.

8492. If the Chairman thinks it a proper question, I should like to ask you whether your views would undergo any change with regard to the question of re-opening the Indian mints, provided the mints of the United States and France were themselves re-opened; would that modify your opposition to the re-opening of the Indian mints?—No. Suppose you had an international bi-metallic arrangement with the United States and France to open their mints to silver at 22 to 1, I think it would become a practical question for the Government of India to consider whether they might not re-open their mints, but I would not re-open the Indian mints now with a view of coming to that arrangement, because I think it would do more harm than good.

8493. (*Sir A. Dent.*) You were discussing with Sir David Barbour just now about these large notes that might be converted into gold. Do you say that there is any evidence that large notes do exist in the hands of the public?—Yes, I think so.

8494. I do not think they are held by the Eastern banks, at any rate?—If you would like to see the detail of it, it will be found in the last Report of the Paper Currency Department. I looked through that Report, and I found that there was a very considerable amount of large notes in the hands of the public—I mean, of notes of 500 rupees and over. Of the bigger notes, a certain portion are held in the Government Treasuries. Still, there is a considerable balance, because the liability I made out would be about six million pounds sterling; that would mean about 9 or 10 crores of these notes out.

8495. Would you suppose these notes are held by the bankers or the native princes?—I should doubt whether the native princes hold our currency notes; I should think they are mostly in the hands of bankers in India, but I do not know.

8496. I do not think that any of the Eastern banks hold any number of them?—I do not know, I cannot say of my own knowledge.

8497. Then, you say, you are opposed to export duties, and you say it would be suicidal to tax tea?—I did not mean suicidal particularly with regard to tea. "Suicidal" was rather a strong term perhaps, but the export duties would certainly check the increase of the export trade, and, therefore, it would be against the interests of India to impose export duties.

8498. But, looking at it for a moment from the tea planter's point of view—the tea planter maintains that he is enormously taxed already in the exchange, and he would sooner have an export duty on tea than a high rate of exchange. I was trying to find an answer to the complaint of the Indian and Ceylon tea planter—perhaps your Lordship can help me?—I have read the evidence as to tea with great interest. I take a very great interest in the extension of the tea trade in India. I have been up in Assam and seen the gardens there; it is one of the most valuable additions we have had to the exports of India. The way in which the Indian and Ceylon tea has knocked out China tea in various markets is really wonderful. But on reading the evidence through, I cannot say that I think the complaints of the tea planters were justified, except to some small extent which I will explain directly. I do not see that the people who invested their money in tea had any right to reckon upon a profit from the continuous fall of exchange. They invested their money when exchange was at a certain rate, and, I suppose, they would expect to make a profit in the ordinary way; but I do not think they had any right to reckon upon a continuous fall of exchange. Nearly all the money invested by the tea planters must have been invested when the rate of exchange was as high as, or higher than, it now is. It is now about 1*s.* 4*d.* The average rate of exchange for the four or five years before 1893, when the mints were closed, was a little above that—about 1*s.* 4½*d.*, I think. For a year perhaps before the mints were closed, exchange went down lower. But I do not think that any man of business would have invested money during that time, expecting that the rates would remain low. I do not see how he would have been justified in doing so, because Sir David Barbour, in

introducing the Budget of 1891, gave a distinct warning that in all probability the mints would be closed. Therefore, people investing money in tea speculations in India at that time should have known what to expect. So that I do not think that, as regards that, the tea-planting interest have any fair ground of complaint. I am very sorry that they will not have the advantage of the further fall of exchange, but that would be an additional profit which they had no right to expect. I should be glad if they could have it, but I do not see what right they have to complain and to demand that we should do what is very injurious, in my opinion, to the whole of the interests of India, in order to give them a profit upon which they had no right to count. That is on the general argument of the tea planters. As regards the particular argument that they are put into unfair competition with China, I admit theoretically at once that, if we stop the fall in the gold price of silver in India, it would be a disadvantage to the Indian trade in a particular article as compared with the trade in a silver standard country in the same article, but I must add a great qualification to that; I must add "other things being equal." Other things, as far as I can make out, are not equal in China. It appears there is an export duty on tea in China, and it also appears from the latest information before the Committee that the prices in the coin of the country—the "copper cash," as they call it—have gone up: so that, although they might be put to some disadvantage, —I do not say that there is not some disadvantage—still, it is not anything like so great as if things had been equal between India and China. That is the way in which I look at it. And, moreover, I do not think myself that the tea planters need be afraid of China competition. There must be exactly the same difficulty about the investment of capital in China as there has been in India. People would be afraid of sending capital to a country when they are not sure at what rate of exchange they will get it back again. Besides, you have in China four countries, all gold standard countries—France, England, Germany, and Russia—apparently doing what they can to get as much out of China as possible. When they establish a system of currency, they are just as likely, I think, to take gold as silver for the standard. If I had tea gardens, I do not think that I should be afraid of Chinese competition; but I am not really interested in tea, and this I give only as an opinion.

8499. The duty which the Chinese Government impose, $2\frac{1}{2}$ taels, might be removed in order to improve the industry in China?—Certainly.

8500. And that would hit Ceylon again?—Of course it would. I am speaking of the present condition of things. Pray understand, I have every sympathy with the tea trade, but I am inclined to think, judging from the evidence, that it has been a little overdone.

8501. It is a very important industry, no doubt, and the Government should assist it in every way possible?—Certainly, I entirely agree.

8502. (*Mr. Campbell.*) We have heard a good deal about large sterling borrowing in order to establish a gold currency. You do not propose borrowing?—I should make the change, if I could, without borrowing. I do not like increasing the gold liabilities.

8503. You would rely on trade influences and upon the internal supply of gold?—I should hope that that would, at any rate to a very great extent, meet the difficulty. Of course, I can not be positive about it—it is uncertain.

8504. As regards the stock of gold in India, which is, no doubt, very large, you are, of course, aware that the market price of that gold is higher than the Government ratio of 15 rupees to the sovereign?—Yes.

8505. Do you think it likely that the natives would send that gold in at the rate of 15 rupees to the sovereign when the market value is, perhaps, $15\frac{1}{2}$?—I think, if exchange goes up, there will not be that difficulty.

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8506. But exchange cannot go beyond 1*s.* 4*d.*?—It may go to 1*s.* $4\frac{5}{32}$*d.*, I think; it can go up to the extent of the cost of insurance and freight.

8507. But I think the natives have bought their gold at a higher price than even that would represent?—I did not know that.

8508. As regards the external supply, the gold that would come from England, that would depend upon trade influences?—Yes, for the sake of getting rupees to carry on the trade.

8509. But the ratio there is a very important part of the question, is it not?—Very.

8510. If the 1*s.* 4*d.* ratio tended to restrict the balance of trade, so that India could not command gold at that ratio, the idea of establishing a gold standard would fail?—It might fail in respect of the gold currency; you might have a difficulty in getting the gold currency, but I do not see why a gold standard should fail.

8511. Of course, to make the Government scheme successful, they must not only sell their Council bills at 1*s.* 4*d.*, but they must command a balance of trade sufficient to supply India with currency as well?—Yes, there must be a considerable balance besides the Government remittances, because there are the private remittances. I think they are calculated at about 3,000,000*l.* In a good year—this year for instance—when the balance of exports will probably exceed all the remittances, if I were managing the finances here, I should increase the drafts upon India in order to get more gold.

8512. In the last five years, we have seen that the exchange has gone very much below 1*s.* 4*d.*?—Yes, Last year we had famine and plague, and a diminution of exports, and everything against exchange that could possibly be conceived. I hope that, after so long a famine as this last one, we may rely fairly confidently upon a series of good years. It is very rare that so extensive a famine as that is repeated within a short time. We have had a bad famine after a small famine. For instance, there was a famine in 1873–4, and afterwards there was the big famine of 1877–8; but the famine in 1873–4 was only over a very limited area. We can only hope that we shall not soon have a recurrence of such calamities as we have had this last year or two.

8513. This year has undoubtedly been favourable to the proposals of the Government of India?—Very favourable.

8514. And that condition may not last?—Certainly. I think the tendency of your questions is, that we cannot be positive that the 1*s.* 4*d.* rate can be kept up. I quite agree with you. I hope it may, and I think there is a reasonable probability of its being kept up. At the same time, if it is not kept up, we must fight it out as best we can. There are ways of fighting it out that it is hardly necessary to go into, but, in any event, I should not alter the rate. Having the command, as I said before, of the other end of the stick, having the command of the coinage of rupees, I think with coolness and deliberation the rate can be maintained.

8515. You would take artificial means, then, to maintain it?—Yes; because, having got a gold standard, and there being free coinage of gold at the mints, you cannot have scarcity of currency; but the thing I am afraid of now is that, as there is no free coinage, there is no automatic adjustment of the currency of the country.

8516. You would rather fight it out by artificial means than, say, put the rate down to 1*s.* 3*d.*?—I think a good financier ought to be able to get over the difficulty.

8517. Of course, it is on trade influences that you must ultimately depend?—Yes. It all depends on the proportion between exports and imports of India. I do not want to discourage the imports, but everything that can be done to encourage exports ought to be done as soon as possible.

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8518. You would not recommend waiting to see the result of the coming busy season?—I do not suppose that the question can be settled before the next busy season. This Committee has to conclude its labours and to make its report, and then Parliament may have to be consulted; and although I should like to see it done at once, I do not see how this can be.

8519. As regards cashing these large notes, you say that that would be done from gold that had been received into the Treasury?—I think I may put it in this way. Whatever the liability may be, 6,000,000*l.* sterling or something of that sort, I would make arrangements with the Imperial Government—supposing the plan I have suggested were carried out—to be able to draw upon them to that amount. I do not think we should want to hold it, but there should be a guarantee that it would be there in readiness. I do not suppose it would signify whether the notes were paid by bills in London or by gold over the counter.

8520. It would involve sterling borrowing to that extent?—Yes.

8521. Have you considered that these large notes might be cashed in order to find gold for export?—As I said before, I think it is very likely that a cleverer way might be found of doing it than that which I have suggested. I am not at all wedded to this particular plan. What I felt was that, if I was to be examined upon this question, I should be of no use to the Committee unless I had taken these questions, and found some practical way of dealing with each of them; so I went through each, and whatever suggested itself to me as possible, I have mentioned. I do not pledge myself to details. For instance, if I was asked whether we should have subsidiary gold coins to the sovereign, my answer would be that I should, as soon as it appeared that there was a want of small coins in circulation.

8522. (*Chairman.*) After all, that would be a question for the Government of India?—As I have said, these are questions on which I do not venture to offer any dogmatic opinion at all, or make any suggestion, except to show that I have looked into the matter as well as I could, to see how it could be worked through.

8523. (*Mr. Hambro.*) It was put to you by Sir David Barbour, that, if we had an unlimited coinage of shillings, we might depreciate the value of the shillings in relation to the sovereign; but I understand that you would allow silver to be unlimited tender?—Yes, but not unlimited in quantity—unlimited as legal tender.

8524. Therefore, it never could go to a discount?—No, the conditions of the two coins are entirely different. So long as the rupee is an unlimited tender, the conditions of the two subsidiary coins are so different that it is difficult to compare them.

(*Sir David Barbour.*) If they were so largely coined as to drive out all the gold, they would go to a discount.

8525. (*Mr. Hambro.*) I think you may say that the 5-franc piece is practically unlimited tender in France, but I have never known the 5-franc piece in France to be at a discount as regards paying debts?—It could not be, because it is legal tender. The condition used to be that, if you wanted a few napoleons to put into your pocket for travelling, you had to pay a little *agio*. I am talking of 40 years ago, before the change of standard, when there was a double standard in France; you had to pay so many sous on each napoleon.

8526. As a matter of fact, the National Bank of France will always supply local traders with gold against notes, though they might charge a premium for a large amount of gold for export?—They have the command of the situation, in the same way that I think we shall have the command of the situation in India. We must not be bound to give gold for rupees.

8527. But do you not think that the fact that the Bank of France, with its great power, has always been able to grant any facilities required, and at the same time to charge an *agio* to anybody who wanted gold for export, is a protection to the currency that could hardly be performed by Government?—I agree. The Government would not be clever enough to do that.

8528. And do you not think that the strength and the large amount of capital of the Bank of France are among the reasons why the dual method of paying in silver or gold has been able to be carried on in France so easily?—I should not like to express an opinion about French finance, because I do not know enough about it to be able to express an opinion which would be worth having.

8529. Sir David Barbour's point was that the one coin would depreciate as compared with the other, but it would not depreciate for external purposes?—I think there is this element of uncertainty at the present time. No one can say whether there is scarcity or redundancy of rupees. The Government think there is redundancy. People who know the Indian trade very well have come here and said that there is rather scarcity than redundancy. I say that is an element of uncertainty in the calculation. If there is a large redundancy, you would have to buy up the rupees to reduce the redundancy. But I do not think you will have to do that; it is impossible to tell.

8530. I understand you would make gold an unlimited tender for a certain time?—I think that is essential.

8531. And silver at the same time?—Yes.

8532. And what would you do with regard to notes?—Just as is done now.

8533. Would you allow them to continue to be legal payment?—If you keep on your note circulation, you must allow it. Any system of note circulation that might be devised, and which might turn out to be the best, might be adopted; for instance, you might have notes of different colours, one colour of note for gold, and another colour of note for silver.

8534. If you issued two sorts of notes, you might have a premium on one versus the other?—No doubt you might; but those are matters which must be thoroughly worked out. At first I thought that notes ought in future to be only issued for gold, but I am not sure whether you might not go on issuing notes, if they are popular, for silver in the lower denominations.

8535. I rather understood you to say that you did not think a bank, however strong, should be made the custodian of the currency of the country?—Just so.

8536. You think it should remain in the hands of the Government?—Yes, in the condition of India. Unless I heard something that would lead me to a different conclusion, I think that Sir Charles Wood's method was right.

8537. Is that because the Presidency banks are not strong enough?—Partly. Partly also because there is no essential connexion between the note system of the country and commercial transactions. As I understand, at the Bank of England the note issue department is quite a separate business from the other.

8538. It is absolutely separate at the Bank of England?—Then I am right in that; it is a separate business, and, on the whole, in India I think Sir Charles Wood was right in making it not only a separate business but a separate department. But I do not say that my opinion is of any great value in that matter, because things may have changed very much in India in the last 25 years, since I was there; therefore I would not express that opinion with any degree of positiveness.

8539. (*Sir C. Crosthwaite.*) You said that, if you had the power, you would take action at once by declaring the sovereign legal tender in India, and opening the mints to gold?—Yes.

8540. You would also, I understand, fix the ratio at 1*s.* 4*d.*?—Yes.

8541. Do you think there is any practical difference between the present position of the sovereign, which the Government Treasury will receive at 15 rupees,

and that which it would obtain by being made full legal tender?—Yes, I think there is a difference—a distinct and an essential difference—because, unless you make the gold legal tender and you open the mints, you have no automatic system of currency. That is the reason I think it is essential to open the mints to the coinage of gold, and the sooner it is done the better.

8542. But anyone now may bring sovereigns to the Treasury and get rupees for them. Is not that the same thing as a practical result?—I do not think it is. I do not think it is the same, unless by law a particular quantity of a particular metal is the standard of value and legal tender for everything. I think the arrangement now in force to give rupees for gold at the Government treasuries may bring in a certain quantity of gold, and I do not suggest that it should be given up, but there is an essential difference between the two things.

8543. With regard to the difficulty you admitted there might be in keeping the rupee up to the 1*s.* 4*d.* value, does not any objection made on this ground apply in principle, if not in degree, to any ratio that you might adopt, which was in excess of the intrinsic value of the rupee?—I think so. As to the question of rate, I think it is for those who wish to have another rate to bring forward their arguments. The *onus probandi* is upon those who think a 1*s.* 3*d.* rate or a 1*s.* 6*d.* rate is better than a 1*s.* 4*d.* rate. I should object to a higher rate than 1*s.* 4*d.*, for it would disturb trade. I do not see why you are not as able to keep the rate at 1*s.* 4*d.* as at 1*s.* 3*d.*

8544. (*Mr. Le Marchant.*) In alluding to the closing of the mints as not appearing to have interfered with private interests, were you looking chiefly at the evidence as to the effect on prices? Is it your view that the evidence given before this Committee did not point to any material alteration?—I tried to look at it all round. I beg to remind the Committee that I said any "serious" interference. I do not think you can make a change of that sort without some interference, but I think the interference in this case was probably as little as could have followed any important change of that kind. I looked to the interests of the payers of taxes in India and to the interests of trade and to the interests of the holders of silver, and all round to the different interests, and I cannot say that I think there has been any very serious interference with any interest by the closing of the mints.

8545. With reference to the Minute of Sir Richard Temple recommending the introduction of a gold standard, may I ask if any proposition was then made to limit the coinage of rupees?—We did not get as far as that. Sir Richard Temple wrote this Memorandum; it is some time ago, but I see from a note on the papers that we considered it in Council when I was Governor-General, and I believe the practical objections were so great in the then state of the production of gold that it was not thought worth while to pursue the subject further. I brought forward that Minute to-day to show the Committee that in 1872 there was a man who was Finance Minister in India, and whose knowledge of India was as great as that of any man at that time, who did not suppose that there was any popular objection to a gold currency. It was meant to support my argument that a great many of the very highest authorities that could be found considered that a gold currency would be practicable and popular in India. That is the point that I wanted to try and establish as far as I could before this Committee. I do not bind myself to everything in Sir Richard Temple's Minute. He is a very able man and he put his own views forward.

8546. I think you stated that, in your opinion, one essential condition was that the Government of India should pursue a perfectly steady financial policy; that sterling borrowing should be curtailed as far as possible, and a surplus secured and retained?—I am very strongly of that opinion.

8547. Is it in your recollection that Sir David Barbour, in introducing the measure of 1893, concluded his speech with a very similar recommendation?—I am very glad to be reminded of that. I did not hear Sir David Barbour's speech, because I was not in India then, but I have no doubt he will be of the same opinion as myself, having been so long the Financial Member of the Council of the Viceroy. *Rt. Hon Earl of Northbrook, G.C.S.I.* 4 Nov. 1898.

8548. So that, in supporting that view, it will be continuing the policy then recommended and adopted?—Yes; and I may say, although Sir David Barbour is present, that I know pretty well how he was brought to the conclusion he arrived at about closing the mints. As I understand the whole of his policy, he was not in favour of altering the standard from silver to gold. He wanted to have, if he could, an international bimetallic arrangement. It was only upon the failure to obtain such an arrangement that he was forced to advise the closure of the mints to silver for the purpose of establishing a gold standard. I think it is a very strong argument indeed, that the Government of India, while being by no means in favour of the gold standard, found themselves bound by circumstances to come to it, as the only possible solution of the difficulties they were in.

8549. May the Committee take it, from your other remarks, that, if Government were able to obtain a substantial surplus, you would not recommend the withdrawal of it from the uses of trade in the country—that there would be no connexion between the mode of employing that surplus and restriction of the currency available for circulation?—The Government of India are bound to see that they have the command of a certain sum of money, without putting it in the power of the banks to tie it up even for a limited time. I am speaking about those two crores which are kept in the reserve treasury. With regard to the rest of the balances beyond what is required to work the finance of India, I do not see why the greater portion should not be in the hands of the Presidency banks.

8550. So that it would be no interference with the general interests of trade in any way?—Certainly; I do not want to tie up this balance in a bag and sit upon it. I think that would be a foolish thing to do.

8551. (*Sir F. Mowatt.*) I was away when you were speaking about the land settlement, and you expressed the general opinion that it would be a very serious thing to interfere with that in any way. If you have not answered the question, let me ask you this: As I understand Mr. Ralli and one or two gentlemen who support him, what they proposed was this: that, as particular holdings fell in, it should be taken into consideration that the rupee had changed in value since. Not that there should be a general alteration in the settlement; but, as each settlement came up, the Government would be at liberty to urge that the rupee had become of a different value since the last settlement. Did you express any opinion as to that?—I do not think I noticed that any suggestion of that sort had been made, but I do not see, at first sight, what difference it would make, if I were a ryot in the North-Western Provinces, and my land were being settled, what the gold price of the rupee might be. The gold price of the rupee does not regulate the price that I should get for my produce; that is regulated by other causes altogether. It would be nothing to me that the gold price of the rupee had changed; I should neither lose nor gain by it; the settlement would be made on the prices of the place—the prices in the neighbouring markets—which, as I have tried to explain to the Committee from my knowledge of India, follow very slowly, if, indeed, they follow at all, the variations in the gold price of silver. It would be a monstrous thing to say that, because the gold price of silver has altered, this would be any justification for raising rent. The native would not understand it, and I think it would be very unfair to him.

8552. Do you say that the Customs duties should be payable in gold?—Yes, I see no objection to that.

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I would provide for a perfectly fair notice being given, and I should not extend it to small amounts.

8553. Are you aware at all what amounts are received?—I think it is now 3½ crores.

8554. I think you expressed the opinion that the stringency during the busy season results, to some extent, from the closing of the mints?—Yes, I think so.

8555. Formerly a merchant could buy silver, and could have it turned into rupees by sending the silver to the mint?—Yes.

8556. Now he can send gold from England and claim rupees for it?—Yes.

8557. But this he does not do, because he might lose more by the exchange than the interest he would get for his money in the meantime would amount to?—Exactly.

8558. But I do not understand you to say that the fluctuations of exchange are the direct result of closing the mints?—I meant, not the exchange, but the rate of discount.

8559. The rate of discount?—I say, in looking at the statistics before the Committee, you will find that in other years there has been very much the same fluctuation in the rate of discount.

8560. Then I think it was put to you that paying the larger notes in gold had the effect of contracting the currency?—It would have that effect, if you did it.

8561. But when you get your notes paid in gold, the gold would pass into the currency instead of rupees?—Yes.

8562. You would not at all contract the total currency; you would contract the rupee currency and add to the gold currency?—No; the gold would go, not into the currency, but into the hands of the person to whom you pay it.

8563. But exactly as he would use his rupees, so he would use the sovereign?—He would probably send it to England; but, still, you are right; it would be currency; it would be gold instead of silver currency.

8564. (*Sir John Muir.*) Before putting one question to Lord Northbrook, I would just like to express my very high opinion of the manner in which his Lordship has given his evidence—most fairly and justly. What I mean is, we have had witnesses who have held extreme views on the one side or the other, but I think Lord Northbrook has endeavoured to hold the balance very fairly. You have referred to the periods of stringency in India besides the extreme stringency that we had last season?—Yes, in the money market in Calcutta.

8565. I happen to have a very long connexion also with India—since 1849. Now I think the stringency of last year much exceeded, so far as my connexion with India has gone, anything that we ever had before. Are you aware that Parsees took Government paper to the banks in Bombay and asked for advances, and the banks refused to make the advances, although the rate was 12 or 13 per cent. Then the merchants said: "We must have the money "or we shall be compelled to suspend. We will give "you anything you like to ask up to 18 per cent."?—There was a very considerable stringency in the Bombay Money Market one year when I was in India—in 1874. The rate of discount went up very high; but I believe you are correct in saying that the last stringency lasted longer than on any previous occasion. I do not believe it went higher, but it lasted longer. I think the 18 per cent. must be a very exceptional case. I saw it stated, and I daresay it is correct.

8566. I know it was 18 per cent., because my partner was a director of the Bank of Bombay, and he knows that 18 per cent. was offered by the Parsees and was refused, because the banks had not the money?—It is very extraordinary, but, of course, that being so, it must have happened.

8567. Now, you are, of course, aware from your long experience of India that the native growers of wheat and rice and seeds, &c., are the large proportion of the population of India?—Yes, there is a large preponderance of the native population, no doubt, who are producers of agricultural products.

8568. In your opinion, is a low rate of exchange in favour of the people who are interested in the soil, the growers of wheat, seeds, &c.?—The fall in the gold price of silver, which amounts to the same thing as the fall of exchange, has, I think, to some extent—I do not say to the whole extent, as some think—but to some extent been to the advantage of the cultivators in India. I do not think the main reason of the great increase in exports was the fall of exchange; I think the growth of exports was mainly due to other causes, such as the railroads and the Suez Canal, and the fall of freight, and so on, but I think the fall of exchange had some effect. It has been a partial cause, I admit, and, as far as rupee prices have risen, the cultivators of India have profited; they would not get the whole, but they would get some of the profit.

8569. I was very pleased indeed to find that you so strongly emphasised your opinion, that the increase of the exports of India and the reduction of her imports, so as to turn the balance of trade as much as possible in favour of India, should be the object of everyone desirous of advancing the interests of India?—I did not advocate a reduction of imports.

8570. Some of us perhaps are a little more advanced than your Lordship. I think myself that that is desirable in the interests of India. Now, we had our Chairman giving 10*d.* as the intrinsic value of silver in the rupee to-day. 1*s.* 4*d.* is the rate that the Government of India fix; but that is a difference of 6*d.* in the rupee—an enormous difference. Now, a great many of the people of India have to compete with other countries, especially China. In China the rate of exchange is fixed pretty nearly on the intrinsic value of the metal in the coin, whatever it may be, whether a tael, or a rupee, or a dollar—whatever it is; it is about the intrinsic value of the silver that is in the coin. After having made allowance for the export duty in China, and the little difference in the cash money, is not there an advantage to the grower of tea and coffee in China as compared with India?—I should be very sorry to say exactly what his advantage is; other things being equal, the disadvantage would be much against the Indian grower of tea—I do not suppose any coffee is grown in China—but how far it is balanced by the export duty on tea in China and the rise of prices in copper cash there, I should be sorry to say. It appears to me it is to a certain extent, possibly to a considerable extent, balanced by that.

8571. Then we have referred to the growers of wheat, seeds, &c., and, of course, you know, the number of them are enormous in India?—No doubt.

8572. These are the men that operate on the soil—that produce the revenue—the income of India—and provide the material that is to be exported?—Yes.

8573. Then there is another large class, the merchants who buy the products. Do you not think that the interests of these two classes—the men who are interested in the soil of India and the merchants who buy the stuff that they produce—are of such importance that their views should have great weight in the consideration of this question?—I think they ought to have weight. In respect to the actual case you put to me, the interests of the cultivators of the soil in India would not be affected. I do not know that any cultivator of the soil in India grows tea. English capitalists grow the tea and they employ labour from central Bengal. They pay their labour partly in kind. I do not think there is any class of native cultivators who grow tea. They grow wheat and grain of all sorts, and in Eastern Bengal they grow jute, but I do not think they are subject to the disadvantage, whatever it may be, of Chinese competition. It affects only the tea trade; I do not think it affects India generally at all.

8574. Perhaps your Lordship is not aware of it, but, as a matter of fact, we have in Ceylon and also in Assam and in the Dooars a very small class of

natives who are growers of tea?—I was not aware of that.

8575. (*Sir David Barbour.*) I should like to clear up one point. Mr. Hambro asked you some questions with the object of showing that, if money was full legal tender, it could not go to a discount?—In its own country.

8576. In its own country. Now, if the Government of this country were to issue notes very largely, which were inconvertible, and made them full legal tender, they might, nevertheless, go to a discount?—With other countries.

8577. They might go to a discount with gold?—I do not understand inconvertible notes going to a discount with gold. Inconvertible notes are inconvertible notes.

8578. You might have an inconvertible note for 5*l.*, and you could not get five sovereigns for it. If there was an over-issue of the notes, they might go to a discount as compared with the standard gold coin?—An inconvertible note means a certain quantity of paper having a nominal value. At the time of the French Revolution the assignats became so depreciated that finally they were worth little more than the paper they were printed on. Their value depends on the proportion between the amount in circulation and commodities.

8579. If only a small amount of inconvertible notes were issued in this country, they would not go to a discount?—I do not know what the effect would be of attempting to issue inconvertible notes in this country. *Rt. Hon. Earl of Northbrook. G.C.S.I.* 4 Nov. 1898.

8580. Inconvertible notes have been issued in this country in former times, and they have gone to a discount as compared with gold?—Yes.

8581. Now, as regards the land settlements. When an officer is making a re-settlement, he takes into account the prices of produce and rents?—Yes.

8582. And, if the value of the rupee is altered so as to affect rents and the prices of produce, that alteration is taken into account in making the re-settlement?—Certainly. It would follow from the use of the word "price" that that would be, of course, considered. If anything had an effect on prices, that would be considered.

8583. So that, in so far as it is just and equitable to take into account the altered value of the rupee, that is already done in making re-settlements?—It certainly would be done. At the same time, the point I wished to make was this: I do not think that prices up-country have been affected by the closing of the mints.

8584. The argument was that the alteration in the value of the rupee should be taken into account in making settlements, and I only wish to bring out that, so far as it is equitable to do so, that is actually done under the present system?—It must be so, from the terms of the proposition; the value of the rupee and prices are the same thing.

The witness withdrew.

MR. WILLIAM JAMES THOMPSON, senior, and MR. WILLIAM JAMES THOMPSON, junior, called and examined. *Mr. W. J. Thompson, sr., and Mr. W. J. Thompson, jr.*

8585. *Chairman* (*to Mr. Thompson, senior.*) You and your son are the members of a well-known Mincing Lane firm?—Yes.

8586. You have been a tea broker in Mincing Lane for how many years?—Sixty-seven years.

8587. For many years you have been Chairman of the National Discount Company?—Yes.

8588. (*To Mr. Thompson, junior*). You have been in partnership with your father for the last thirty years?—Yes.

8589. And you are both very familiar with all questions affecting the tea industry?—We ought to be.

8590. What has been your connexion with the tea industry?—As brokers—simply to take the tea entrusted to us for sale in the London market, and to do the best for our merchants.

8591. Can you give us the statistics of the approximate average prices of teas in London since 1884?—Yes. I have prepared the following table:—

APPROXIMATE AVERAGE PRICES OF TEAS IN LONDON.

Season.	Indian.	Ceylon.	China.
	s. d.	*s. d.*	*d.*
1883–4	1 1½	1 3½	11
1884–5	1 1	1 3	11
1885–6	1 1½	1 3	10½
1886–7	1 0	1 1	10
1887–8	0 11½	1 0½	9½
1888–9	0 10¼	0 11	9
1890–90	0 10½	0 11	9
1890–1	0 11	0 11	9½
1891–2	0 10	0 9½	9
1892–3	0 11	0 9	8½
1893–4	0 9½	0 8½	8
1894–5	0 10¼	0 8½	7¾
1895–6	0 9¼	0 8	7½
1896–7	0 9½	0 7¾	7
1897–8	0 9	0 7½	6

8592. During all those years, from 1883–84 to this time, China tea has always been the cheapest?—Oh, yes, in price.

8593. Have the imports into this country from India and Ceylon and from China been proceeding upon a regular ratio, or has there been a great increase in the one and a decrease in the other?—There has been an increase in the one and a decrease in the other.

8594. An increase from India and Ceylon and a decrease from China?—Yes.

8595. How do you explain that the cheapest article should have been the one that has decreased in quantity?—Because India and Ceylon offer you so very much better tea of the same kind than China.

8596. Therefore, you had a better market, although at a higher price?—But, really, India and Ceylon teas are cheaper than China teas because they go farther. You, yourself, well know that you do not require to put so much tea into your pot.

8597. Do you think the general body of people who are the consumers of tea take that into account?—Well, I do not know—perhaps they make it too strong.

8598. Can you tell us what the circumstances are that have caused this change of price?—Supply and demand, in which I agree with the evidence already given by Sir James Mackay and others.

8599. The supply has exceeded the demand?—It has in one sense, because we used in former years to have a bigger stock; it used to be necessary to keep a bigger stock, because the China teas arrive here only during a few months of the year, whereas now every week a large Ceylon sale is held, and for nine months in the year there are Indian sales, so that we never have a shortage of supply. Buyers prefer now going from hand to mouth, and if the Indian and Ceylon supply is short, they prefer being squeezed rather than have to keep large stocks. And we must remember that tea does not keep. You cannot keep your tea for a year or even for six months; it is not as good as it was when it first came in—therefore, it is desirable for that and for many other reasons to keep on selling your tea as it arrives. That is the practice of the London market.

8600. Can you give us an opinion as to the markets for tea other than the English market?—As to the other markets for tea, one is India itself, but that is merely a nominal market, because the Indian native does not drink tea in the same way as the Chinaman does.

8601. But the India native surely prefers Indian tea?—Such tea as he drinks, yes.

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8602. India does not import any tea from China ?—Practicly, no.

(*Sir D. Barbour*). They do import a little.

(*The Witness*). There is a little imported en route for Persia and Central Asia, but it is an exceedingly small quantity. Then, if you take Australasia, there you may say that British grown tea has practically conquered the market. There has been a very rapid development on the lines of the home trade; it is now about 20 millions a year.

8603. (*Chairman.*) Perhaps you will put those figures in ?—Yes, I will include the figures. Then we come to the United States and Canada; our trade there is gradually increasing, but very slowly indeed—it may now be some 12 millions a year.

8604. Do you say that Indian tea is increasing in that market ?—Only slowly—very slowly. I am sorry to say that China and Japan have practically the whole of the United States consumption. It is a totally different tea to the Indian or Ceylon tea. Instead of black tea it is green, or "uncoloured", and of a peculiar flavour. Perhaps it is a matter of taste, perhaps it is a matter of their water, but anyhow the Americans prefer the China and Japan tea. I may say that the London dealers who do business in the country districts in England, such as Liverpool, Birmingham, and so on, have casks of water from the different towns sent to them to their London offices, in order to taste the tea made in that water in order to select the samples best suited to the district. It is only fair to say that the Indian and Ceylon planters have done their very best to push the tea in the American and Canadian markets, by putting a voluntary cess upon themselves amounting to many thousands a year, and by advertisements, and even by giving away their tea and sending special agents over to sell it; and, besides that, the London dealers doing the export trade have done the same thing. Yet they have not succeeded in getting hold of the American market, they have not laid hold of the American taste.

8605. Is that true of all the States ?—The whole of America generally. I will give you here the figures that I got from the United States Consulate, on purpose for this Committee, of the teas imported into the United States of America, taking it for 1897 as being the last year. There were 56 million lbs. from China, 45½ million lbs. from Japan, and only 2 million lbs. from British India; that is to say, imported direct. A little more goes from us.

8606. Is there any duty in America upon tea ?—Yes.

8607. It is the same duty for all tea ?—No; there is an extra duty of 10 per cent., if it is an indirect import, otherwise there is no difference; all the tea duties are absolute.

8608. (*Sir J. Muir*). There was an extra 10 per cent. put on for the War ?—I think so. Then there is another market—continental Europe, principally Russia. In that market they consume the same class of tea from China as we get from India and Ceylon, namely, black teas, and, therefore, we are on a better footing there, and the trade with Russia is increasing, I am glad to say, very considerably. This year, again, it is larger than last year.

8609. (*Chairman.*) Is that in India and Ceylon teas ?—Yes, both. I mean the trade from the London market. I should say that the Russians are an exceedingly conservative people. At one time, even the fact that the Indian tea was done up in different packages from those that they had been used to from China militated against it; but now they have found out that really our teas are worth their attention, and we get large orders from Russia for Indian and Ceylon teas of all growths.

8610. In this country Indian and Ceylon teas, of course, have a good market ?—Yes, and our home consumption is increasing every year; it is increasing, you may say, *pari passu* with the population.

8611. Do you think that in recent years there has been an excess of production in India or Ceylon ?—There has been quite enough; 5 per cent. less would have given you 10 per cent. more for your teas.

8612. Do you think the lowering of the price has rather arisen from an excess of supply ?—We have had rather too much, and we also find that we can do with less stocks than we used to, which is a very important factor.

8613. Do you think the supply of Indian and Ceylon teas will increase or not ?—I think so, undoubtedly, but it will not increase so rapidly as hitherto.

8614. How is it affected by the present rate of exchange?—Is that a fair question to put to a Mincing Lane broker ?

8615. I will not ask you if you have not an opinion to express upon it ?—I have an opinion, of course. It is affected. I am quite sure that, since the exchange has risen, many people have not been extending as they would have done.

8616. Then it is to that extent injurious to the trade ?—It has affected it in that way, there is no doubt.

8617. According to your figures it does not seem to have affected prices, but it would have raised the cost of production ?—Yes.

8618. And, therefore, affected the profit and affected the growth of the trade, and possibly the investment of capital in that trade ?—It has affected profit certainly, as we poor shareholders have found out.

8619. (*To Mr. Thompson, senior.*) You agree with your son's evidence ?—Yes.

8620. (*Lord Balfour of Burleigh, to Mr. Thompson, junior.*) I gather from you that the variation of these figures arises, in your opinion, from a change in taste of those who drink tea; they now prefer the Indian and Ceylon tea to the Chinese tea ?—Certainly, and the Chinese have helped that by the quality of their teas deteriorating.

8621. I suppose you say that the relative price of the two teas would be an important factor in determining the consumption. For example, if China tea can be put on the market at a less relative price than Indian tea, it would in the course of time let in the Chinese to compete again ?—It would interfere certainly if they could undersell Indian and Ceylon teas, but it is fair to say that some of our biggest people in London will not use a pound of China tea because it spoils their blend. You know that practically all the tea that is sold in the United Kingdom is blended.

8622. Have you any opinion whether the difference in quality between the India and Ceylon tea and the China tea is intrinsic, or is on account of careless cultivation, or anything which the Chinese by improved methods could counteract ?—It is certainly partially intrinsic, because the Indian and Ceylon tea is not the same as the China tea, it is an indigenous plant, growing wild in the jungles of Assam, and it is found to be superior to the China plant. We have certainly heard that a lot of new tea machinery has been sent to China, but so far we have had no results from that. Anyhow, they will never get from the Chinese plant such fine teas as are got from the Indian plant.

8623. Are you able to say whether any experiments have been made in China with the Indian plant ?—I think not: they have made experiments in Java, and the result has been good.

8624. (*Sir J. Muir.*) You have some interest in tea companies as a shareholder ?—Yes, a little.

8625. And you are aware that the dividends paid by the tea companies this season have been materially less than they were last year and in previous years ?—Yes.

8626. Arising mainly from what cause ?—Increased cost of production.

8627. One of the leading elements in that is the difference in exchange; that is to say, suppose your agents in Calcutta sell a 90 days' sight bill upon a London bank to lay down funds to pay the coolies' wages, if they sell the bill at 1*s.* 4*d.* in the one case, whereas if the Government of India had not in this arbitrary way fixed the rate at 1*s.* 4*d.*, they could have

sold the bud at 1*s.* 2*d.*, that would have made a considerable difference?—Yes.

8628. And probably have turned the loss on the last season into a profit?—It would have made a considerable difference, of course.

8629. What difference do you estimate there would be between a 1*s.* 4*d.* rate and a 1*s.* 2*d.* rate, on the wages of the coolies per pound of tea?—I believe it would amount to about $\frac{5}{8}$ths of a penny per pound.

8630. That effect is felt very much more severely, is it not, in Ceylon than in India, because the entire industry of the Island of Ceylon now, since the coffee failed, is tea?—Yes, that is the great industry of the island.

8631. The great industry of the island hangs now upon tea?—Yes.

8632. Suppose the tea industry should fail, as coffee has failed, what becomes of the island?—I will leave you to deal with that question, I do not like to think of it.

8633. How is the Government to carry on the administration of the Colony?—I am not the Governor.

8634. These are questions, I think, that it behoves us a little to look at. I hear the Ceylon tea planters putting questions of that nature, and I daresay you have heard the same?—Yes, but is it not a little hard to put the question to a poor tea broker?

8635. You are a tea planter to a small extent, but you are not in the same position as some of the poor tea planters are?—No, and I never was in that position from the other point of view either.

8636. (*Sir F. Mowatt.*) In the yearly prices which you gave us of the teas, I observe some curious variations. In 1892–93 I think you said that India was selling at 11*d.*, Ceylon at 9*d.*, and China at 8$\frac{1}{2}$*d.*?—Yes.

8637. The next year it fell to 9$\frac{1}{2}$*d.* in India, 8$\frac{1}{2}$*d.* in Ceylon, and 8*d.* in China?—Yes.

8638. The next year it rose again to 10$\frac{1}{4}$*d.*, 8$\frac{1}{2}$*d.*, and there was a little fall in the case of China to 7$\frac{3}{4}$*d.*?—Yes.

8639. Is there any explanation of that beyond the ordinary rates of supply and demand?—Probably not. We had one very fine year from Assam—a sort of climatic influence came over Assam, and gave us a very large quantity of high priced teas. I think that was the year when the price rose to 10$\frac{1}{4}$*d.*

8640. On the whole, from your experience of the trade, do you anticipate that the supply of Indian and Ceylon teas will tend to increase?—Yes, I am certainly of that opinion.

8641. (*Sir D. Barbour.*) In the figures you gave of the prices, I noticed that, in the earlier years, Ceylon tea fetched a much higher price than Indian, and now it is lower. What is the explanation of that?—In the earlier years there was only a small quantity, and it was of finer quality than now—at first, too, it was a novelty.

8642. I think you said that there had been some over-production in recent years?—Well, there has been quite enough.

8643. You suggested that if there had been 5 per cent. less tea, the price would have been 10 per cent. higher?—Yes.

8644. So that the tea planters would have gained?—They would in that way; but it is impossible to stop production.

8645. But you suggest those figures—5 per cent. less tea would mean 10 per cent more in price?—Yes, our stock is so small, that a reduction of 12 millions in it would cause an advance in price. That is what it would amount to.

8646. You also said that the rise of exchange would diminish the profits?—That is a *sequitur*, I think.

8647. And that would diminish, to some extent, the rate of production?—I think it would eventually have that effect. It has with some people, I know.

8648. According to your figures, if a rise in the rate of exchange caused a 5 per cent. reduction of production, there ought to be some gain to the planters from a rise in the London price?—That is so, taking these figures; but tea, as you know, takes five or six years before it is in full bearing. That is why you cannot stop production.

8649. But the argument would be this: that a fall of exchange might so increase production as to lead to over-production, and be followed afterwards by a reaction?—Quite possibly.

8650. Whereas, if there was a steady exchange, you would, at any rate, get rid of one cause of fluctuation and uncertainty?—Yes.

8651. You said that the tea plant in India and Ceylon is altogether different from the tea plant in China?—Yes.

8652. And gave a better tea?—Yes.

8653. That also gives an advantage to the Indian and Ceylon planters?—Yes, but the first gardens in India were laid out with the China plant, and now nobody would dream of sowing the China plant.

8654. We know that China is an old country, and tea has been grown on the same land there for a large number of years, so that it is possible that the soil may become exhausted; whereas in Assam and the Dooars, you have virgin soil. That would make a difference, would it not?—I do not think so, because the original gardens where the China seed was planted were also on virgin soil.

8655. I do not say what the difference would amount to, but there would be that additional difference?—Of course, it is a newer soil undoubtedly.

8656. And, therefore, a better soil?—There is no doubt.

8657. (*Sir A. Dent.*) Are the prices you gave of the different teas just now the prices in the United Kingdom?—In the London market, yes.

8658. Then you are not including the large quantities of high class teas that go straight from China to Russia?—No, this is only from the London market.

8659. If you included them in your figures, that would make the average for China very much higher?—Very much higher, because they take the bulk of the finer teas, and have done for many years, direct.

8660. You say the stock of tea in London now is very much less than it is used to be?—Yes.

8661. I suppose it is brought about very largely, if not entirely, by the fact of the Indian and Ceylon tea coming in week by week?—Yes.

8662. That, therefore, is a point in favour of Indian and Ceylon teas?—Well, I think, that is only a point in favour of the market remaining steady.

8663. I mean, people will not import China tea because they would have to hold it for such a long period before selling it?—That would be purely from a merchant's point of view, depending on the offers made for the tea from time to time.

8664. Of course, it would affect the merchant very much in considering the quantity of tea he should lay in stock?—Yes.

8665. Therefore, he will prefer to deal in Indian and Ceylon teas?—Yes.

8666. Can you form an opinion as to the possibility of large extensions in the tea-growing area in Ceylon? Though you say you are only a broker, we know how you watch tea growing all over the world. It is the common belief, I think, in Ceylon that there is very little more land available there?—That is what I am told.

8667. You have personal experience of India. Are there large districts in India still available, in your opinion, for tea planting?—I think a very great deal.

8668. I think you said, in answer to Sir John Muir, that the dividends of the tea companies were very largely affected by the extra cost of production?—That is my experience as a shareholder.

8669. I think you might have added that the price here has gone down also?—Not very much.

8670. It is not solely the cost of production?—The price has fallen very little in the last two or three years—the average price. Individual prices may have

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fallen, but the average price has not changed much; it is 9½*d.*, 9*d.*, 8*d.*, 8½*d.*, and so on.

8671. Do you think the Ceylon and Indian tea growers have much to fear from the possibility of China tea being again imported in large quantities into this market?—I hope not.

8672. You hope not, but will you go beyond that?—I have never understood why China has not sent us more tea, considering the difference in exchange. I could never understand it; I sincerely hope they will not send us any more; but it is a possibility.

8673. (*Mr. Le Marchant.*) What has been the rate of increase in the production of Indian and Ceylon tea in the last three years?—I can give you the exact figures for the last three years. The imports of Indian tea in 1895–96 were 118 millions; in 1896–97, 131½ millions; in 1897–98, 135½ millions; Ceylon tea in 1895–96, 82 millions; in 1896–97, 92 millions; and in 1897–98, 93 millions.

8674. There would be some fall in price corresponding to the increase from 118 to 135½ millions, would there not?—Yes, and there is a slight fall in price—not much. Then you have to take the fact that we receive at the same time 10 millions less China tea between the two years; we should have less China tea, and more Indian and Ceylon tea.

8675. On the other hand, India and Ceylon would go further in use?—They ought to do. Obviously, we do not want them to do. They do as a matter of fact go further, because they make so much stronger a tea.

8676. Would you attribute that increase of production to the favourable rate of profit that was existing previously?—There were signs, many years ago, that Indian and Ceylon tea would be the favourite. A garden takes five years before it begins to bear properly.

8677. Would the increase of the output be likely to follow any advantage in the way of cheapened production; would the tendency be for the supply to grow up to the limit of profit?—I suppose that is so in the case of every article. It does not matter what the article is, it would be governed by the same law.

8678. So that any special advantage in the way of a low exchange would tend to be counteracted, so far as profit goes, by the increase in production?—In the course of time, in tea, perhaps so. I should like to put in some figures that we are publishing in our circular to-day as regards the external markets.

(*Chairman.*) Any tables you like to add to your evidence we will put in the Appendix.

The Witness withdrew.

Adjourned.

TWENTIETH DAY.

Tuesday, November 15th, 1898.

PRESENT:

SIR FRANCIS MOWATT, K.C.B. (in the Chair).

SIR JOHN MUIR, Bart.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr. W. H. Cheetham.

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Mr. W. H. CHEETHAM called and examined.

8679. (*Sir F. Mowatt.*) Will you state your position?—I am a member of the firm of Kilburn & Co., of Calcutta. We are interested, either directly or through our companies, in indigo factories, tea gardens, a shellac factory, cotton spinning mills, inland navigation, a branch railway, electric lighting and power, machinery, and other property.

8680. Do you attend here to-day to give evidence on your own account or as representing your firm?—Merely on my own account.

8681. You were connected with the firm, no doubt, in 1893, when the Indian Mints were closed to silver?—Yes.

8682. Were you at that time of opinion that that was a necessary action to take?—No, I was very strongly opposed to it.

8683. Will you state generally the grounds upon which you were at that time opposed to the closing of the mints?—The majority of the merchants of Calcutta addressed a protest against the closing of the mints, which will be found on page 198 of the Herschell Committee's Minutes. I will read this extract from that protest: "Our opinion, "which we submit with all due deference, is that the "measures being urged upon the Government of "India by the Currency Association for steadying "and raising the rupee are uncertain, unsound, and "mischievous, fraught with danger to the financial "credit of the Government and to the commercial "prosperity and development of the country. We "do not favour a fluctuating or depreciating rupee, "but we are more averse to a fictitious artificial "sterling value being placed upon the rupee, and we "believe that any proposals yet submitted by the "Currency Association would have much worse "effects than those of the state of things which "these proposals are intended to remedy. As prac-"tical, experienced business men, we do not hold "with the assertion of the President of the Currency "Association, that the fall in silver has restricted "and embarrassed the trade of the country to such "an extent as to create an almost unparalleled state "of depression. We believe that the causes of the "depression, such as it is, are to be found elsewhere. "On the other hand, we desire to make known that "we are not insensible to the embarrassment of the "Government as regards the present state of its "finances, or wanting in sympathy for the employees "of the Government who have suffered by the recent "fall in exchange; but we submit that in order to

" make these matters right, it does not appear to us " to be necessary or desirable for the Government to " resort to the desperate expedient of tampering with " the monetary basis upon which the financial and " commercial system of the country is founded, and " under which the country has hitherto been most " prosperous."

8684. You still retain that opinion I understand?—Most decidedly.

8685. Would you say that the mints should now be re-opened?—I am of that opinion.

8686. Immediately or gradually?—If any expedient such as has been described in the evidence already given could be devised to break the great shock which would undoubtedly come from the re-opening of the mints, I think it ought to be tried; but I believe the market would take command very soon, and that the currency would get on to its old basis almost immediately; that is to say, the rupee would assimilate to the value of silver.

8687. That would now be about 10*d.*?—I think it is 10½*d.*

8688. But you would contemplate the rupee being about that rate?—No; on the contrary, I think the effect of re-opening the mints would be to cause a rise in silver, and that we should have something between the present rate of exchange and the present price of silver.

8689. Something between?—Yes.

8690. Would you contemplate any considerable rise in the value of the silver?—Yes.

8691. Have you thought at all to what you would contemplate its going?—I have. Of course, it is very much guesswork, but I think that silver would rise to between 33*d.* and 34*d.* probably.

8692. That would mean a rupee of what?—I think it is about 12½*d.*

8693. In proposing that, you have in your mind the effect of the position of the Government as having to pay large sums in gold in England?—Certainly.

8694. Have you contemplated how the difficulty of the Government would be met, or should be met, in that case; perhaps I had better take it from the point of taxation; would you contemplate the Government imposing additional taxation?—It might be necessary temporarily.

8695. You do not think it would be permanent?—I do not.

8696. Let me put it in this form: if the rupee were to fall from its present price, say 1*s.* 4*d.*, to 1*s.* 0½*d.*, that would represent a difference in annual payments of between 10 and 12 crores; we should be, at all events for the moment, face to face with the necessity of raising say, to be moderate, 10 crores of rupees?—Yes.

8697. You say it might be temporarily necessary, but in the meantime they must either borrow, or they must raise additional taxation to pay their debts?—They might borrow. I think it would be better to borrow in order to get back to a silver standard than to borrow in pursuit of a gold standard.

8698. What would they have to borrow to pay an additional 10 crores of rupees?—About 6,000,000*l.* sterling. There would be certain immediate compensations, so that the full amount would not be required. For instance, in the opium revenue there would be an immediate compensation.

8699. The opium revenue is rather dwindling, is it not?—It is dwindling, but the return to the silver standard would arrest its decay.

8700. How do you explain that?—Because the Chinese now have to pay such a very high price in dollars, in order to give us the price we want in rupees.

8701. And the lower the rupee, the more China would be able to take, and the price would go up?—China would be able to take more, and the price need not go up in China, but we should get more rupees.

8702. What you have said points to your believing that the price of silver would, at all events, not fall?—If the mints were re-opened do you mean?

8703. The general price of silver?—Quite so.

8704. But how if the decline in the price of silver continues?—I do not think we need fear much, if any, decline in the price of silver. The proportion of silver being produced to gold is falling very fast indeed.

8705. But do you ever recollect a time, since silver began to fall, when we did not think or hope that we had got to the bottom?—Oh yes.

8706. You do?—Yes.

8707. Now do you think that the effect of the opening of the mints would be to steady exchange?—No, I am not prepared to say that. I think there would be fluctuations.

8708. Do you think it would contribute in any way?—It would in the long run. It would not at the outset.

8709. Perhaps you had better state how you arrive at that conclusion?—It would then be on a natural basis. It would be dependent on the price of silver. Many of the most important silver mines are producing less silver than they did.

8710. Let us assume that the mints are now opened to the free coinage of silver; will you state what advantages you consider would result from that to Indian trade?—The most important advantage would be that we should have an easier money market.

8711. "Easier money market," meaning for the moment a larger currency?—I mean we should be able to borrow money on easier terms. The present rate of discount is only 5 per cent. in Calcutta—the Bank rate—but the money market is very tight.

8712. And to what cause do you attribute that?—I attribute it to the closing of the mints.

8713. How do you establish the connexion between the two?—The closing of the mints has reduced the volume of the currency in relation to trade. Population is always increasing, and trade is expanding; if you do not continually add to the currency, you actually in fact reduce it; that is to say, it is reduced in relation to requirements, and we have not got enough currency.

8714. That is what I put to you. You really say it is the insufficiency of currency?—It is the insufficiency of currency.

8715. Now a person taking gold to India can command silver currency, can he not?—At a definite rate.

8716. That is to say, a man taking 1,000*l.* in gold can command 15,000 rupees?—Yes.

8717. Therefore at that price he can command currency?—At that price he can.

8718. Have you considered how far the present silver currency requires increasing? Have you any definite views upon that, or would you merely say that anybody who wished to bring silver in should be enabled to get it coined and get it turned into currency?—I think no man can say how much currency is required. It is a thing that must be settled automatically. If the mints are opened, anybody who wants silver changed into rupees can get it done.

8719. Do you distinguish generally between "currency" and "loanable capital?"—No. I think the relation is probably best illustrated by the relation between bread and toast. You can have bread without toast, but you cannot have toast without bread. If I go to a bank I do not ask for "loanable capital." I say, "Will you lend me so many rupees? " I want so many rupees to pay my wages or to buy " my cotton or indigo." The phrase "loanable capital" never comes into the conversation between me and my banker. What I want is rupees.

8720. Now, as regards the recent stringency in India. Do you consider that it extended to India generally, or only to persons engaged in the external trade?—It certainly extended into districts with which

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we have connexions in Behar; it extended into districts where we buy cotton—in Central India.

8721. To the same extent?—In Behar, yes.

8722. What rates were payable during the tight season there?—Well you see that, when a Bank rate jumps up to 12 or 13 per cent., it is indicative of very great stringency, no doubt, but it does not indicate the exact amount of the stringency, because, when money gets to 12 per cent., most people cannot get it on any terms.

8723. Except on the terms of importing gold?—But the people have not got the gold to import.

8724. That is why I asked you whether you considered that "loanable capital" and "currency" were identical. A man might have no rupees, but if he had ample loanable capital he could first of all get sovereigns, and with sovereigns he could get rupees?—May I ask what you mean by "loanable capital?"

8725. I was taking it from you as "currency" for the moment?—If we have currency, we have got the rupees, and do not want to borrow.

8726. But if you have gold, you have the power of getting rupees?—But we have not gold. We have all these things—indigo factories, cotton mills, machinery, and almost every kind of property you can think of, but we have not got the currency; we have not got the gold.

8727. Do you anticipate that the stringency of last year will be repeated?—We have the stringency now. If I go to a banker and say that I want an outlay for an indigo factory, if he will give me the advance at all, which is doubtful—although I would not undertake any indigo factory which was not perfectly sound—the banker would say "I must have 9 per cent." In Bombay the best cotton mills have had to pay more. A dozen mills have arranged to buy cotton, say, at 9 or 10 per cent., and mills which were not of the first class have had to pay much more. I should like to explain why a cotton mill requires so much capital. The Indian cotton mills are dependent on the Indian cotton crop for their raw material. That crop goes to the market in two or three months. If the Indian mills do not lay in a stock during those two or three months, the chances are that the cotton is exported, and then they are put into a hole during the rest of the season. Therefore we buy, perhaps, 10 or 12 lakhs' worth of cotton in February, March, and April. We borrow the money to pay for that cotton from the banks. We used to get that at 4 per cent. If we go to a bank now, if it is in Bombay, we should have to pay 10 per cent. In Calcutta we generally arrange to pay, say, 1 per cent. over Bank rate, with a minimum of 4 per cent.; but, if we go to a bank to-day, I do not think any bank would let us have money on those terms.

8728. That is not because of the want of security, but because it has not got the money?—It has not got the money.

8729. Did that stringency ever arise before the mints were closed?—I remember various commercial crises, not only in India but in England.

8730. I see that in 1884 the Bank rate touched, in March and April, 12 per cent., in 1876, 11 per cent.; and that is the nominal rate, as 5 per cent. is now. The additional charge which the bank make upon you above that, I presume they made upon you then as they do now, so that really if 5 per cent. now represents 10 per cent., this 12 per cent. represents nearly 20 per cent.?—I say that the rate does not rise above 12 per cent. 12 per cent. seems to be the limit for the rate, or very nearly, just as 10 per cent. is the limit for the Bank of England rate. I have not known the Bank of England rate above 10 per cent. But what I want to point out is this, that in 1877, when the average Bank rate was 8 per cent. and some decimal, a compensatory action was immediately set up. The consequence was that over 14 crores of silver came out in 1878, and away went the Bank rate down to an average of 5 per cent.

8731. When you say an average, you mean through the year?—Yes. May I just offer you this diagram to show how the average Bank rate compares with the import of silver. The red line there is silver, the black line is the average Bank rate for the year.

[*For this diagram, see Appendix.*]

8732. If you take 1889 and 1890, the Bank rate rose to 12 per cent. In 1884 it rose to 11 per cent. In 1882 it rose to 10 per cent. In 1894 it rose to 10 per cent. In 1897 it rose to 10 per cent. In 1898 it rose to 12 per cent. Now, to go for a moment to the prices. What would you say had been the course of prices of food grains since 1885, when the heavy fall set in?—The price of rice in Bengal has risen considerably.

8733. Looking at Mr. O'Conor's Table in the Appendix, and taking the years 1886 to 1898, you see that the rise in rice is from 135 in 1886 to 167 in 1898. The rise in wheat is from 117 in 1886 to 147 in 1898. Then there are a series of Indian grains, of which the prices are given in the same way; they have risen from 122 to 139, from 122 to 134, from 103 to 173, and so on, and, taking the total averages, the prices have risen from 957 in 1891 to 1,000 in 1898. Now, what state of prices supports the contention that a falling exchange as opposed to a steady exchange stimulates exports?—I do not consider that a falling exchange in itself necessarily does stimulate exports.

8734. You do not think it does?—Not necessarily. A falling exchange between two gold countries merely indicates an adverse balance of trade on the part of one of them, which is adjusted by a transfer of bullion in the last resort; but a falling exchange, with open mints, between India and gold countries is not a mere balance of trade; it corresponds with a change between silver and gold. We get in India through such a falling exchange more silver for our produce, which stimulates production, which gives a material benefit to the producer in India, and, more than that—more than the actual result, which he perhaps is unable to trace—it has a very great moral influence. If he sees that he is getting three rupees where he was only getting two rupees, although he might have to pay something more, he thinks he is better off, and that undoubtedly stimulates production.

8735. You do not think that he carries the mental process a little further, and says to himself, "Although "I am getting three rupees where I used to get two, "I do not get more for the three than I used to get "for the two"?—He does get more, because he does not pay the same in proportion; but the moral effect is even greater than the actual effect.

8736. Do you think there is any limit to the fall in the value of silver which would be beneficial to him?—I think we cannot anticipate any great fall in silver, if any.

8737. But there is no point at which you would draw the line, and say the further fall in silver would not be for the advantage of the producer in India, either moral or practical?—No, there is no point that I would fix. I do not think anybody could fix such a point, but silver is a precious metal; silver is very different from inconvertible paper currency.

8738. Now to go for a minute to China. Do you support the view that a fall of the dollar exchange is acting as a bounty on cotton spinning in China?—Yes.

8739. As a matter of fact are the China mills prosperous just now?—The China mills are in an incipient stage. Those which are managed by Chinese have been comparative failures; those which are being managed now by Europeans are, I believe, doing very well, but I have not any figures.

8740. Has that at all affected the output of Indian cotton mills?—That could not affect the output.

8741. In point of fact, are the exports of yarn from India increasing or decreasing?—Mr. O'Conor, I think, said that the export of yarn had not decreased, but I cannot follow his figures.

8742. Of cotton yarns in the year 1885 the export was 78,000,000 lbs., and it has risen to 199,000,000 lbs. Taking the last few years, it rose from 134,000,000 lbs. in 1893–94 to 158,000,000 lbs. in 1894–95; in

1895–6 to 184,000,000 lbs.; in 1896–7 to 195,000,000 lbs.; and in 1897–8 to 199,000,000 lbs. That is a very rapid increase, apparently?—I must say that I do not understand those figures. The "Bombay Gazette" of the 9th August said that during 1897 we sent 23 per cent. less yarn, and 64 per cent. less piece goods, to the Far East than in 1896. From Bombay in 1896 473,000 bales were sent, and in 1897 362,000 bales. That was partially made up for by increased shipments from Calcutta, which benefited by the plague in Bombay. Calcutta sent 30,000 bales in 1896 and 62,000 bales in 1897, the two together making 503,000 bales in 1896 and 424,000 bales in 1897. My figures do not include Madras, but I have reason to suppose that Madras is a very small quantity. They have, I think, only five mills there.

8743. Is the explanation to be found in the words "to the Far East" that you used there? Is there any other export, except to the Far East, of cotton yarn which would not be included in those figures?—There is a small export to Singapore and Batavia, but it is unimportant. There may be this explanation, that Mr. O'Conor's figures are for the financial year, and mine are for the 12 months ending 31st December.

8744. Have you the same thing for any of the previous years?—Yes, I have all the figures here. I have also the yarn report from Hong Kong, which corresponds very closely with my figures. The total imports from India into China and Japan of cotton yarn in 1896 were 500,000 bales (my figures were 503,000 bales), and in 1897, 447,000 bales (my figures were 424,000 bales, but I omitted Japan, and I have not got the Madras exports).

8745. Are there any other commodities in which India competes with China?—Do you mean of shipments from India to China?

8746. Yes?—There is opium. China is growing opium to an extent which did not prevail formerly.

8747. India competes with China in tea. As to that we have had a great deal of evidence, and I do not think we need take you through it, as there is no question, I imagine, that the Chinese tea trade is not at present holding its own against the Indian trade, and has not for many years?—No. I think one reason for that has not been mentioned, at least I have not noticed it in the evidence. Something was said, I think, in Mr. Cameron's evidence about the internal taxes on tea: I think he made out that that amounted to about 14 per cent. That would seem to be regarded as a kind of set-off against the disadvantage of our exchange. I do not think that should be taken as a set-off in any way. It was the very fact that these internal dues existed which gave such an impetus to the development of the tea trade in India. It is not a new thing—not something that has cropped up since exchange has turned so much against us.

8748. Still it does act as a weight upon the Chinese tea dealer?—But, because the inefficient Government of China allows this restriction of trade, that is no reason why we should impose a relatively larger restriction on trade to give them back this disadvantage and something more.

8749. I do not think that was contended. The fact was put forward to show that, taking it all in all, the tea trade in China was not, on the present constitution of China, likely to affect the Indian tea trade. I do not think it was contended, at all events I did not so understand it, that it was supposed to be an exact equivalent for India's alleged disadvantage in exchange?—I do not think it should be looked at as a set-off in any respect. It seems to me that that is very much as if in the next war with China, because the Chinese were armed with bows and arrows, we should throw away our Maxims.

8750. Do you know, as a fact, that the wages paid to the labouring classes in China are not paid in silver at all, they are paid in copper "cash"?—I believe so.

8751. And that copper cash does not vary with the value of the dollar?—No, it does not vary with the value of the dollar. At the present time copper is relatively higher than it was.

8752. (*Mr. Campbell.*) I think Mr. Cameron's evidence was to the effect that the copper cash had increased in value, as compared with silver, by about 14 or 15 per cent.?—Yes.

8753. (*Sir F. Mowatt.*) That 15 per cent. which you quoted was not on the question of commodities, but on the question of the cash?—I think Mr. Cameron put the two together, and made it 36 per cent., and said we were only at a disadvantage of 6 per cent., taking the exchange disadvantage at 36 per cent. I think that is what he said.

8754. As bearing upon the China trade, have you any facts within your own knowledge as to whether the wages and general prices in China are stationary or rising?—I have none within my own knowledge; I have seen the report from our consul at Shanghai, but I cannot say anything about the interior. I think wages have not increased, or very slightly.

The Secretary read the following extract from Sir Claude Macdonald's Consular Report for the year 1896 *on the Trade of China.*

"The price of labour and of raw produce alike must ultimately be paid in copper cash, and the silver tael is merely a convenient form of reckoning or carrying about the number of cash for which it will exchange. It has been stated that, while the price of silver in relation to gold has been going down, its purchasing power in China has remained constant. This would only be true if there had been no alteration in the exchange between silver and copper cash, and supposing the value of the latter in relation to other commodities to have remained unchanged. As a matter of fact, there has been a steady rise during the last few years in the silver price of cash; the year 1896 has witnessed a further considerable rise throughout China, attributed partly to scarcity and insufficient minting of the coin, so that the tael, which formerly exchanged for 1,500 cash, will now only purchase 1,200 or less. Side by side with this increase in the silver price of cash there has also been a marked tendency for the cash itself to depreciate in regard to commodities in general, so that the gold-price of Chinese commodities has not fallen to an extent by any means so great as has been generally assumed from the decrease in the exchange value of silver."

8755. I am not sure whether I gather from the answer you made earlier in your examination whether you hold that silver prices remain steady in silver countries—whether the fact of the mints being opened to silver would steady prices?—I think that silver has been much steadier in relation to commodities than gold has. I have here Mr. Sauerbeck's figures, which I will put in. There is a very remarkable addition at the bottom of that paper. These are the silver prices of 45 principal commodities for 20 years from 1874 to 1893, and also the index price of silver; and the addition of the index price of commodities is 1,603 for the 20 years, whereas the addition of the index price of silver for the 20 years is 1603·1, against the figure of 2,000 for gold.

(*For these tables see* Appendix.)

8756. After your evidence I need hardly ask you this; you would object, I suppose, to the introduction of a gold standard into India?—By a gold standard, do you mean a gold standard with convertibility between silver and gold at a fixed ratio?

8757. Yes?—With convertibility?

8758. Yes?—I believe in a universal gold standard; I should like a universal gold standard, but I think it is impracticable. It is not for our generation.

8759. Upon what reason do you base that?—I do not believe there is enough gold to do it. I think, in all the estimates that have been given of the gold that would be required to have a gold standard with complete convertibility, the estimates of the gold required are very much too low. We have an unknown quantity in hoards of rupees, all of which might under

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certain circumstances come forward to be exchanged into gold. I am afraid to say the figure which I have got in my mind which might be required; it would be deemed extravagant.

8760. That is to say, you contemplate that the fact of being able to convert silver into gold would bring out the whole or the greater part of the silver hoards?—It would undoubtedly bring out a very large volume. It might bring out the whole.

8761. Why should it bring them out?—Because the people might prefer to hoard in gold. Many of them do. Within the last four months, I am assured by a Marwari broker that 2 crores worth of gold bars have been taken out of Calcutta and sent up country.

8762. You think that would be increased—that they would prefer hoarding gold coinage to gold bars?—I think there is a danger of it.

8763. Do you put that merely as a danger that must be considered, or as a danger concerning the probability of which there is evidence?—I think it is a danger that must be considered.

8764. You must face the risk of it—you must have it in mind?—Just so.

8765. Now, while the mints were open, and silver was falling, say, from 1876 to 1893, what was the state of Indian public finance year by year as regards surpluses or deficits? At page 56 of Part I. of the evidence taken by this Committee, Mr. O'Conor gives this evidence:—"1479. Can you tell us how the financial "position of India has stood since 1875, and whether "on the whole her revenue has exceeded her expendi- "ture?—I have prepared a statement of the surpluses "and deficits of those years, which I put in. It is as "follows:—" Then he gives a table, and he goes on: —"These figures show that in the 20 years ending "with 1892–3, that is, ending in March 1893, just "before the closure of the mints, there was an aggregate "surplus of Rx. 17,175,499, and an aggregate deficit "of Rx. 19,573,587, the not deficit in that period "amounting to Rx. 2,398,089. That was the result of "20 years' finance during a time when India is "supposed to have been extremely prosperous under "a continually declining rupee." I merely draw your attention to that, because those figures were put in. I do not know whether you have any observations to make upon them?—No, all I wish to say is that it includes a very large amount of war expenditure.

8766. Between 1885 and the closing of the mints in 1893, are you aware whether there was any increase of taxation?—The only increase I can call to mind was an increase in the tax on petroleum.

8767. The figures given by Mr. O'Conor would apparently show 4½ crores between 1885 and 1893?—The enhancement of the duty on salt was a general levelling up, if I remember right. We had different duties in different parts of India, and I think we levelled them all up to 2 rupees 8 annas per maund.

8768. Have you any further observations you would like to add?—I should like to state this as regards the cotton spinning trade. In Sir J. L. Mackay's evidence, question 320, he gave a list of the profits made by Calcutta and Cawnpore mills in the year 1897, on which he relied as a proof that the closing of the mints had not exercised a prejudicial effect upon the cotton industry. The Cawnpore mills have no trade with China, but the Bombay mills, which have, and which contain, perhaps, eight times as many spindles as the Calcutta mills, are not mentioned by him. You cannot take the Calcutta and Cawnpore mills as evidence of the general prosperity of the trade in cotton spinning in India. There are certainly six times as many spindles in Bombay as there are in Calcutta. The Cawnpore mills are not directly affected by the China exchanges; their customers lie all round about their mills; it is an absolutely internal industry. The Bombay mills rely very largely on their trade with China. They did very badly in that year, because of the plague, which absolutely crippled their production. For that very same reason the Calcutta mills benefited. We never had such a profitable year as we had in 1897. In the case of our own mills, we sent nearly three times as much to China as we had done in 1896. With the gradual resumption of fuller work in the Bombay mills, the prosperity of the Calcutta mills has absolutely disappeared. The mills are running at a loss now; they did not make depreciation in the first half of this year, and to-day they are running at a loss. One of the mills, which has preference shares, was unable to pay its dividend on the preference shares for the half-year ending the 31st August. In Bombay the trade is said to be worse than it has been for very many years.

8769. You are speaking now of the current year?—Of the current year; the trade is so bad that I do not think there is any doubt that short time would have been resorted to, but for the fact that we could not get the China and Japan mills to join in a short time movement. In Japan the trade has not flourished since the adoption of the gold standard. It was particularly flourishing before they had a gold standard; and, although they have adopted the standard of 32 to 1, or something like that, the cotton spinners have had to seek help from the Government to keep their mills going; they have had to get large loans from the Government to help them through. You will see in my memorandum the following paragraph, showing the effect of the fall in exchange:—"Before the "mints were closed, we used to sell our 30d/s drafts "on China against yarn at, in round figures, Rs. 225 "per $100. The rate has since been down to "Rs. 132 per $100, and is now a little over Rs. 140 "per $100. Taking it at Rs. 150 per $100, our "Chinese buyers have now to pay $84 instead of $56 "per bale to give us the same number of rupees that "we got when exchange was Rs. 225 per $100.

"$84 at Rs. 150 per $100 = Rs. 126
"$56 at „ 225 „ = Rs. 126."

I wrote out that paragraph without any reference to my own records, but afterwards I thought it would be advisable if I could give a concrete instance, and I looked at my records, and you will see I have added this paragraph: "In November 1892, when exchange "was Rs. 219½ per $100, we sold 10's to China at "$60 per bale, and in July 1897, with exchange at "Rs. 151½ per $100, we sold at $90 per bale." That paragraph was inserted after I had written the previous paragraph of the memorandum without knowing that there was such an instance in our books.

8770. (*Sir A. Dent.*) What was the price of cotton then?—I cannot give you the price of cotton on those particular dates; I can give you the price of the cotton we used in our own mills.

8771. It depends largely on the price of cotton and the price you sell at?—Yes. There was not very much difference in the cotton. Our clean cotton for the last half of 1892 cost us 44 pies per lb., that is July to December 1892. In 1897 our cotton for the first half-year cost us 45½ pies; for the second half-year it cost us slightly under 45½ pies. There is a difference of about 3 per cent.

8772. (*Sir F. Mowatt.*) Is that all you desire to add?—I think that is all I desire to add about the cotton-spinning trade. I should like to add a word about the stringency in the money market. The rate of discount is not the only criterion of the state of the money market. For instance, even when money has been very dear, 12 per cent., I have known a few bills discounted at perhaps 4, 5, or 6 per cent. below the Bank rate. I think you have that shown clearly in Mr. Allan Arthur's evidence; he has had the same experience as I have had. But those low discounts were no criterion of the money market whatever. It is a very peculiar thing. There are certain small Shroffs in Calcutta who have balances of, say, 10,000 or 15,000 rupees in their hands, and they wish to employ these sums for short periods. In our cotton trade we are drawn upon at 60 days' sight, and those people discount short bills at very much lower rates than we could borrow at from the banks. It is the same no doubt with the jute trade. Government paper is now utterly discredited, not only through the value

having fallen so considerably, but through the impossibility of getting advances against it, and these Shroffs would rather discount a short bill, giving employment for their money, than take the risk of putting into Government paper, when they might be put into a hole by being unable to get advances against it when they wanted to. We find that it is quite impossible to raise money for any commercial purposes. Suppose we want to issue industrial debentures, it is an absolute impossibility. It is not a question of price, but we cannot get the money. For the most promising industry we could not raise money on shares. The shares of dividend-paying concerns are nominally quoted in the papers, but you cannot sell them. Take the shares of a large steamboat company with which we are connected, which has been paying for years a steady dividend of 8 per cent.; if I want to sell 500 shares in that company I cannot do it; there is no money to buy them, and there has not been for many months. The debentures of the same company are absolutely unsaleable.

8773. Do you say that no new industrial concerns have been started in India during the last few years?—No, I do not say that. There was a large increase in cotton and in jute about three years ago, but many of the people who took shares then, and people who bought debentures, find great difficulty in getting rid of them now, and are put to great stress in order to take them up. Take another case. We undertook for one of our companies to build a branch line of railway. This was to be built in two sections. The total cost would be about 25 lakhs of rupees. For the first section we issued 4 per cent. debentures, and they were eagerly taken up.

8774. In what year was that?—That was in 1895 or 1896, perhaps 1896. I think it was just before the stringency became very manifest in 1896. Now the time has come to build the second part of the railway, and we want another 12 lakhs, we simply cannot get the money, nobody will take these debentures, we have got to find the money ourselves. Now, with a stringent money market, that is a very heavy loss indeed to the promoters of the railway. It is not the encouragement which Government should give to private enterprise. What I mean is this, that the Government, by closing the mints, have really, although they do not appreciate it, actually discouraged private enterprise in that way.

8775. You attribute to the closing of the mints your inability to raise capital for private enterprises?—Yes.

8776. That is since 1896?—I think it was up to 1896 that the money was available: I think it was in 1896 that we got the money to build a new cotton mill. In 1896, money only rose to 7 per cent. in the beginning of the year; it fell to 3 per cent. in the autumn, and the enterprises that I spoke of were all arranged for in, or before, August of that year. Between August and December the rate rose to 10 per cent., and since then there has been no market in industrial shares.

8777. What has been the rise and fall in Government securities during that time?—The 3½ per cents. have been between 109 and 110; the present rate is about 93.

(*Mr. Campbell.*) About three years ago it was close upon 110.

8778. (*Sir F. Mowatt.*) Have you anything else to add?—No, I have nothing more to say.

8779. (*Sir J. Muir.*) You mentioned that in 1893 the majority of merchants protested against the closing of the mints?—Yes.

8780. Was that the majority in Calcutta, or did it apply to Bombay also?—It applied to Bombay and Karachi.

8781. Calcutta, Bombay, and Karachi?—Yes.

8782. What is the feeling of the merchants now in these same cities?—I think it is clearly against the Government policy, with the exception of a number of eminent men, who might, perhaps, be counted on the fingers of one hand, who only emphasise the unanimity of the remainder.

8783. In other words, the great majority of the merchants in Calcutta are against the Government policy?—Decidedly against it.

8784. (*Mr. Campbell.*) Do you mean the Government policy as disclosed in their last despatch, or their policy in regard to the closing of the mints?—The closing of the mints.

8785. (*Sir J. Muir.*) And are the great majority of the merchants in Bombay opposed to it?—I think so.

8786. And in Karachi?—I do not know about the feeling in Karachi.

8787. In Madras do you happen to know what the feeling is?—No, I have no business connexions in Madras.

8788. Then your feeling seems to be against the closing of the mints in 1893?—Decidedly.

8789. And you think the mints ought to be re-opened?—I do.

8790. We have had witnesses before us who have indicated that the re-opening of the mints may mean a fall in the value of the rupee to a very low figure. Apparently you do not share that view at all. Your idea is that possibly it might be 12½*d.*?—That is my idea.

8791. Did I understand you to say that you hold strongly to the opinion that a rapidly increasing population such as we have in India requires, not a reduction of currency, but an increase, to meet the increase of population?—Certainly.

8792. Did I understand you rightly to say that the trade in cotton-spinning mills in India, having regard to the period when suitable cotton can be obtained, requires large quantities of cotton to be bought in February, March, and April?—Yes.

8793. And that formerly you were able to obtain facilities to meet your large purchases at about 4 per cent., whereas now you have to pay 9 or 10 per cent.?—Yes, cotton mills have to pay 9 or 10 per cent.

8794. That is a very heavy tax indeed upon the spinning enterprise?—No doubt.

8795. We had it in evidence before that in Bombay, while the nominal rate was 12 per cent., Parsees were unable to obtain accommodation from the bank on Government paper at even a much higher rate—that, in point of fact, they offered the manager of the bank at Bombay anything he chose to demand up to 18 per cent., and yet they failed to get accommodation, and were put to serious inconvenience, and, in fact heavy loss. Have you any information to that effect?—I have read the speech of the Chairman of the Bank of Bombay on the 4th August 1898.

8796. You understand pretty well about the tea industry. We have been seeing reports coming out pretty regularly for some months now, in which there is almost invariably the complaint that dividends have been very materially reduced in consequence of the 1*s.* 4*d* rate, as compared with the profits that they formerly realised. Does that coincide with your experience?—I do not attribute the present state of the tea industry entirely to the exchange. I think the tea industry is passing through one of those phases which all remunerative industries have to pass through. Too much land, for the time being, has been put under tea; the crop has been too large for the temporary consumption, and on that account the tea industry is undoubtedly passing through a severe crisis. Added to that, comes a certain additional difficulty through the exchange, which is the more felt because the industry itself is not in a flourishing condition.

8797. Referring to the disadvantage that India has through the exchange, did I understand you to intimate that it was about 36 per cent.?—I took that figure from Mr. Cameron's evidence.

8798. Have you any notion how many years China has enforced this tax that we have heard so much about?—I think from time immemorial the mandarins have had this likin tax.

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8799. That is what I understand. Then it is hardly right to deduct this 14 per cent., which is an old-standing tax, from the 36 per cent. which Mr. Cameron stated was the disadvantage which the Indian planters were now suffering. He is made to say that 14 per cent., plus the 15 per cent. of advance in copper cash, made about 30 per cent.; so that he only made it 6 per cent. of disadvantage; whereas, if I understand you rightly, you would still call it 20 per cent., that is to say, you would add to the 6 per cent. the 14 per cent. ?—Yes.

8800. You said that the amount of gold required for a gold standard would be very large indeed, and you hesitated to name the figure which you had in your mind. I think it would be interesting to the Committee if you were to give us some indication upon that point, because there is a vast diversity of opinion; we have had opinions on one side, and I should like yours on the other, as to what amount you think would be needed?—I would rather not give any figure. It is an exceedingly large one.

8801. Would you say 50 millions in gold?—50 millions in gold I think would be inadequate.

8802. Seventy millions?—Now you are asking me to state what my opinion is.

8803. (*Sir C. Crosthwaite.*) Do you mean for a standard or a gold currency?—To establish a standard with convertibility.

8804. Absolute convertibility?—Absolute convertibility.

8805. (*Sir J. Muir.*) Do you think the natives would, if they had the chance, hoard it, just as we know they hoard rupees, and that a very large amount would disappear?—I think there is a danger of it.

8806. (*Sir C. Crosthwaite.*) You say you think the gold would disappear?—I think a large amount of it would.

8807. But you know that it is said that there is a great scarcity of rupees in India, so as to make it almost impossible to get them?—In circulation, yes.

8808. How would the gold disappear; how is it to be obtained? Suppose that the Government established a large reserve fund of 20 millions, how would that gold be drawn from the Treasury? I suppose only by exchanging rupees for it?—By exchanging rupees for it.

8809. If it is almost impossible to get rupees now, how could you expect to draw, say, 300,000,000 of rupees from the currency in order to draft away the Government gold?—Because at the back of the currency in circulation is an unknown hoard of rupees. In the evidence of Sir Antony MacDonnell he says that the great bulk of the savings of the people of India are in rupees, and not in ornaments. That coincides with independent evidence that I have got; I must say that it was a great surprise to me to hear it.

8810. You think there are sufficient hoarded rupees to come out and buy the gold?—I think there are.

8811. Why do not those hoards come out now to relieve the stringency, when you say there is such a stringency, and the discount rate is so enormously high? I suppose the people who have the hoards would buy the gold merely for the sake of the profit?—No, merely for the sake of hoarding.

8812. But they will not produce the rupees from their hoards for the sake of profit?—They never have done.

8813. I suppose the native banker trades for profit?—Yes, certainly.

8814. Therefore he will not keep an inordinate amount of his capital locked up, merely for the sake of having a hoard?—I do not think bankers do hoard in that way.

8815. Who do you think do hoard?—The people of India.

8816. That is to say, the whole population?—The whole population.

8817. Therefore the great mass of the hoards would be in very small amounts, would they not? Comparatively small amounts, 20 rupees here, 50 rupees here, 100 rupees there, and so on?—I think in very large amounts besides those small amounts.

8818. Here and there, I suppose, there would be some large hoards?—We have known silver of very early coinages come out by the cartload. I have in my mind now a very big lawsuit, in which a Maharajah was concerned, and in which the barrister's fees were paid by silver. All those rupees bore the mint mark of 1840. Of course I know that 1840 was a mint mark that lasted for a good many years. Every one of those rupees was as bright as if it had come from the mint the day before. There are very large hoards in temples and among the zemindars undoubtedly.

8819. Why do you think that they would come out to buy gold from the Treasury, when they could be used now? If they wanted gold, they could get the gold now?—They do not happen to want gold now, but, if you made gold the standard, you would give it an extra value in the eyes of the people, I should say. I do not say positively that the rupees would come out, but it is a danger that we have to apprehend.

8820. These hoards must combine. Even the largest would not do more than scratch at the Government reserve. They would have to combine?—No doubt.

8821. How would they combine?—I do not think there is any community in the world which has such powers of combination as the natives of India.

8822. For certain objects, I agree; but I have never known them to combine for such a purpose as this?—I have known them to combine for the purpose of keeping up the price of an article, or for the purpose of depressing an article.

8823. In trade they would combine, of course, but these hoards would not be in trade; they would be here and there among private individuals—chiefly men of hereditary wealth. However, you think that would be a danger?—I think it is a distinct danger.

8824. You admitted, I think, that the re-opening of the mints would render it necessary that the Government should raise a large sum by taxation?—Yes, I think it would.

8825. That would not be a mere temporary thing; it would be annual?—It would be temporary, because the prosperity of the country would increase so rapidly. May I read you this extract from Barbour's "Theory of Bi-Metallism," at page 150: "The fall "in the rate of exchange cannot have had a ruinous "influence on Indian finances, since the Government "of India had surplus revenue of 450 lakhs . . . "in 1882, eight years after the fall began, and has "since been able to meet all the ordinary cost of "administration without additional taxation, although "the further fall, subsequent to 1882, has thrown an "additional burden on the finances of nearly 200 "lakhs per annum." I suppose that refers to up to about 1885.

8826. In 1882 a remission of taxes was made by Lord Ripon. Since that the rupee has kept falling, has it not?—Yes.

8827. It is much lower now than it was in 1882?—In 1882 the exchange value was about 1*s.* 8*d.*

8828. Since then it has kept falling, we may say, pretty steadily?—Yes, there was a rise in 1890 up to 1*s.* 6*d.*, or something like that.

8829. There was a temporary rise, but, in a general way, it is correct to say that it kept on falling since that date, until after the closing of the mints?—When the mints were closed, it was 1*s.* 3*d.*, and it then fell, I think, to 1*s.* 0½*d.*

8830. I do not want the particulars, but it has fallen. Therefore the country ought to have been prospering still more; it ought to have continued to prosper. We ought to have had a more flourishing revenue by the end of 1894 than we had in 1882?—I believe the revenue did increase. We had an increased revenue, I believe.

8831. But there was a still greater increase of expenditure, was there not?—Well, of course, many people think that the expenditure has been unnecessarily high.

8832. Since 1884 there has been a large increase of taxation, has there not?—By the figures shown to me to-day I think it is about 6½ crores.

8833. And therefore, notwithstanding the fall of exchange, we have had to impose very considerable additional taxation?—Yes.

8834. Then what ground is there for believing that, if we re-opened the mints, we should not have to impose additional taxation to fill the deficit, but that the revenue would rise up to the mark required?—I think you would temporarily either have to borrow or to raise additional taxation.

8835. You say temporarily, but what ground is there for supposing that we should not have to do what we have had to do since 1884—what hope is there that the revenue will rise to meet the deficit—to meet such a large deficit as the re-opening of the mints implies?—The hope is this. At present the development of the country is arrested. Our industries are crippled by very dear money, by the impossibility of developing them.

8836. But what I want you to tell me is this. During the time the mints were opened and the rupee was falling, the revenues did not develope sufficiently to meet the deficit without additional taxation. How, therefore, can we suppose that now, after the re-opening of the mints, and when silver has still more fallen, and a very large deficit will have to be met—how can the responsible Government of India act on the supposition that the revenue will rise?—I think the Government would have to impose fresh taxes, but I think the country could bear them.

8837. Even up to the extent of, say, 8 or 10 crores?—Sir Antony MacDonnell, I think, says that he considers the country could bear from 6 to 8 crores more taxation than it does at present.

8838. (*Sir A. Dent.*) Does he say that?—I think that is in his evidence.

(*Sir A. Dent.*) He says it in a very qualified way.

8839. (*Sir C. Crosthwaite.*) Why do you think the country will be able to bear it if the mints are opened?—I think the fall in exchange would increase production very much. I think the farmers, who represent the great body of the population, would get a great deal more silver for their produce, and would be able to pay a portion of it into the Treasury.

8840. You think that prices would rise greatly?—If silver falls, or rather if exchange falls to the parity of silver, I have no doubt they would get more.

8841. The tea-planters have told us, and that I take to be the great argument from the manufacturers' point of view also, that the prices of food and wages would not rise; that you would still be able to get labour in India at the same price as hitherto?—Wages paid in kind, of course, are not affected by a rise or fall in price at all.

8842. Practically they do rise and fall with the price?—They do not rise and fall with the price; they are not affected; you can leave out of consideration all wages paid in kind.

8843. I understand that you hold that, because the rupee is not on the natural basis of its intrinsic value in silver, therefore the cotton spinners in India are at a disadvantage with the China mills?—Yes.

8844. And some of the tea-planting interest have also told us that owing to the same cause they are at a disadvantage in competing with China tea?—Yes.

8845. They explain it by saying that, whereas the China people are able to pay their expenses in cheap silver, the manufacturers and planters in India are obliged to pay their expenditure in the more expensive rupee. That I understand to be the argument?—Yes.

8846. If the re-opening of the mints causes the prices of food grains in India, and therefore, in the course of a little time, at any rate, the cost of wages, to rise, I do not see how you can argue that the re-opening of the mints will be such an advantage?—As far as cotton manufacturing is concerned, the rate of wages paid is so very much in excess of what agricultural labour is worth that a rise in the price of grain does not make so much difference to them, and there is no reason to suppose that wages in the principal manufacturing districts would rise except very, very gradually.

8847. Then where is the disadvantage at which you are placed with regard to China by the closing of the mints?—The disadvantage is, that we are paying these wages in the more expensive standard.

8848. You do not think you would give them any more rupees, even if you opened the mints?—I do not think we should in those manufacturing districts.

8849. Then it would not benefit the great mass of the labouring population?—The great mass of the labouring population is of course agricultural.

8850. They get their payments mainly in kind, and therefore they would gain nothing by the re-opening of the mints?—They would gain nothing on that.

8851. You as employers would gain, because you would not have to pay them anything more?—We should not pay them anything more. The rise would be very gradual.

8852. Therefore any advantage that would come from the re-opening of the mints would go, not to the whole country, but to certain classes?—It would go to the class which is most important, the agricultural class which tills its own leasehold land, which includes 70 per cent., perhaps, of the total population of the country.

8853. They would get more rupees?—Yes.

8854. But those rupees would not be worth so much, would they?—No; but, as their expenditure is not as large as their income, they would have a bigger margin of profit.

8855. Do you know the average acreage of holdings in India, about?—No, I do not know that.

8856. With regard to the other way in which you say the loss could be met, namely, by borrowing, I suppose you would only propose that as a very temporary expedient?—Quite so.

8857. You talk of the borrowing of gold by the Government of India to establish a gold standard as a similar measure. Is that quite fair; the Government borrowing gold with the view of putting it in reserve, and thereby establishing a gold standard, is one thing, but you propose to borrow a large sum merely to sink it in the deficit of the first year's operation?—The advantages to the country of a silver standard are so paramount that I think it would be better to borrow for that purpose than to borrow for gold.

8858. (*Sir F. Mowatt.*) You mean borrowing from year to year to fill the deficit?—Yes; I have a great objection to borrowing certainly; but I say I would rather do it for the sake of the silver standard than borrow to establish a gold standard.

8859. I think you went as far as this, did you not, that you prefer to borrow to meet a deficit, rather than to increase taxation to an amount sufficient to put an end to the uncertainty?—No, I beg your pardon, I did not say that.

8860. (*Sir C. Crosthwaite.*) I should like to ask a question with regard to the railway you mentioned. You said you were able to raise debentures at 4 per cent. in 1896?—I think it was 1896.

8861. And after that you were not able to place any debentures?—You cannot place a debenture at all.

8862. And you attribute that to the closing of the mints?—Yes.

8863. Would you explain how you would have been able to get the money, supposing the mints had been opened?—If the mints had been opened there would have been a free supply of currency.

8864. But I do not understand how that would give a man money to invest. The man who wants debentures has certain savings to invest. If I am not able to invest now because I have no money, I do not see how the re-opening of the mints will give me money?—When the money market gets into a state of extreme stringency, neither the banks nor anybody else will lend money; they keep everything they have in reserve.

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8865. I suppose other securities might be sold to take your debentures?—Possibly.

8866. And those are not saleable?—I do not think any securities are saleable.

8867. Do you think the re-opening of the mints would make them saleable?—Yes; after the shock was got over, it would give confidence. I believe that the re-opening of the mints would give a great shock, but it would be got over.

8868. You say that there is now a monetary stringency, but anyone who takes gold to the Treasury can get rupees at the price of 15 rupees to the sovereign. What is the reason that is not done; is it because the price is too high, or because there is no confidence?—I think it is want of confidence.

8869. If the Government of India fixed their policy and established confidence, that would be a point gained?—If they established confidence; but could they establish confidence?

8870. But that is one of the important points—suppose that they established confidence?—I do not think they can establish confidence.

8871. Not in a gold standard?—Not in a gold standard.

8872. But you think that, if they re-opened the mints, that would establish confidence?—I believe so.

8873. Although there would be no certainty that the loss might not be so heavy as to compel them to close the mints again? They have closed the mints once, and, if they are re-opened as an experiment, especially accompanied by borrowing to fill the deficiency, do you think there would be confidence in the maintenance of that position?—I believe so. I do not think the Government, if they once re-opened the mints, would ever close them again.

8874. (*Sir A. Dent.*) You were referring just now to Sir Antony MacDonnell's evidence. I suppose you were thinking of his answer to question 5856, on page 217, in which he said, "I believe myself that "the country could now afford, without injury to "industry or commerce, 6 or 8 crores of additional "revenue." You were thinking of that, no doubt?—Yes.

8875. But have you followed the other answers that he gave from 5856 to 5884? He immediately qualifies his first answer at question 5867. He says: "But, "to raise that, you would have either to incur a "breach of faith, by increasing the land revenue in "spite of the land settlements, or you would have to "impose unaccustomed and new forms of taxation; and "I, as a responsible administrator, should fear the "result of doing that." You have read the rest of those answers of his?—Yes.

8876. I thought it was only fair to bring that out?—I ought to say that I was not proposing to raise the land revenue, or anything of that kind. My proposal was that the amount required should be raised by indirect taxation, in the shape of import duties, which those cultivators and other people in the North-West Provinces would not realise that they were paying.

8877. But all Sir Antony MacDonnell's answers after 5856 seem to me to be rather against the possibility of further taxation?—I think he is referring to direct taxation in the form of land revenue.

8878. Now you say that you think gold might be freely bought out of hoards in India, if it was made a standard?—No; what I said was that I thought gold might be substituted for the hoarded rupees.

8879. Do you think, if a gold standard was established in India, the natives would bring out gold from their hoards and convert it into sovereigns? In other words, would they not sooner hold gold in the form of coins than in the form of bars? They could hoard it equally well in either way?—I do not know. Judging by the analogy of silver, I suppose they might like to have their gold coins.

8880. That would greatly help the establishment of a gold standard in India, would it not?—Not at all, if they put the gold coins back into the hoards from which they took their bars. The form in which they hoarded it would not have any effect whatever on the circulating medium.

8881. My idea was that, when it was put in a form in which it is easily circulated, as a sovereign, it would be less liable to be hoarded than when it is in such a cumbersome mass as gold bars?—But we have the analogy of silver, in which they prefer to hoard rupees.

8882. But are we so certain that they do hoard rupees? You think they must hoard gold, because the gold is not visible, but that is not the case with silver?—We know that an enormous amount of silver has been imported during the last 60 years.

8883. Are you aware that large numbers of sovereigns did circulate up to 1866, or thereabouts?—I have never seen them in circulation. If I want a few sovereigns I can buy them—I can buy them in the bazaar—but I should be surprised to hear that sovereigns ever circulated in the interior of the country for the purposes of trade.

(*Mr. Campbell.*) They were received at the Government Treasuries, but they were not in circulation in the country.

(*Sir C. Crosthwaite.*) There were great numbers at one time in the country; they were not hoarded.

8884. (*Sir A. Dent.*) You said you had no fear of a decline in the price of silver and that the mines were producing less silver than they used to?—Proportionately.

8885. But are you not afraid that, if the price of silver advanced, those mines would enormously increase their production?—I think an effort would be made, naturally, to increase the production, if the price of silver advanced very materially; but I do not think that would come into operation until the price had considerably advanced. It is one thing to carry on a decaying mine, which pays at a certain rate; a man will go on working his mine at a loss in the hope of a turn in price; but, once that mine is shut up, it is a very different thing to open it again.

8886. You attribute to the closing of the mints your trouble in negotiating shares and also the issue of debentures for your railway: but has there not been during the last year or two the same difficulty in other markets than Bombay in realising shares or issuing debentures? Has not Bombay been suffering from exactly the same thing as the London market, for instance, or the Paris market?—I am not well acquainted with the course of the markets in London. Many of the markets in London are, I think, absolutely speculative markets—the mining market, for instance. There I can understand very well that there has been very great depreciation in values.

8887. I think people in business in other commercial centres have found, in the last year or two, great difficulty in handling new issues and bringing out new companies. You consider that Bombay was rather specially disadvantaged?—I am speaking of Calcutta; I do not know about Bombay. I should have thought that there was no comparison at all between the state of the Calcutta market and the state of the London market. I think even now any sound industrial concern or any railway offered on the London market would find capital.

8888. Then you said that money that you used to get on cotton at 4 per cent., you have now to pay 9 per cent. for from the banks?—The Bombay mills have had to pay from 9 to 10 per cent.

8889. That has only been for the last 12 months perhaps—the last season?—The last two years 1897–98.

8890. Then was not 4 per cent. a very exceptional rate in India on which to borrow money for cotton?—I do not think so, we had that for several years.

8891. You are taking an extreme in the one case of 9 to 10 per cent.; are you not taking an extreme in the other, when you talk of 4 per cent.?—4 per cent. was the minimum, but we had it for long periods at 4 per cent. I was only speaking of our own particular concern then.

8892. (*Sir Francis Mowatt.*) Was that for very short loans?—The way is this. We borrow the money in the spring of the year, and, as the cotton is worked up in the mill, and the yarn is sold, we gradually pay off the loans, so that towards the autumn the loan is wiped out.

8893. So that the loan is wiped out practically?—Yes.

8894. Did I understand you to say that it was not an unusual thing that you should be able to borrow for four or five months at 4 per cent?—Yes, we did that for several years.

8895. For many years?—For several years. I will not say many years.

8896. (*Sir A. Dent.*) Then you have had to pay 6 or 7 per cent.?—Yes. Our arrangement was that we should pay 1 per cent. over the Bank rate, with a minimum, but the Bank rate went to 3 per cent., at any rate for some considerable periods.

8897. (*Mr. Campbell.*) I think you said that although the Bank of Bengal rate is only 5 per cent., money is stringent?—Yes.

8898. I suppose you are aware that the Presidency Banks' cash balances are at present pretty full?—Yes, I think they are.

8899. So that, judged by that criterion, there is no stringency?—Quite so.

8900. I suppose there is no difficulty in obtaining short loans at the Presidency Bank rates?—No, you can get short loans at the Presidency Bank rates, or a little under, perhaps.

8901. (*Sir F. Mowatt.*) What period do you cover by short loans?—Two or three months.

8902. (*Mr. Campbell.*) Then it is only with regard to loans extending over a lengthened period that you might call money difficult to obtain?—Yes.

8903. Would you say that that is caused, not so much by actual stringency at the moment, as by fear of money becoming stringent under existing circumstances, as it has done in the last two years?—I think it is the fear of further stringency in the spring.

8904. With the mints closed, and no possibility of relieving it except by means of sovereigns at the 1*s.* 4*d.* exchange?—Yes.

8905. You also said that you do not see that a falling exchange necessarily stimulates exports, but I think you added that a falling exchange might only be the indication of an adverse trade balance?—Between two countries with the same standard.

8906. Between any two countries, if exchange falls?—I think there is a very great difference between a fall of exchange between two countries, one of which has a gold and another has a silver standard, and a fall of exchange between two countries who each have the gold standard.

8907. Do you mean in the ease of adjusting it?—The ease of adjusting it, and also in its effects on prices.

8908. But between two countries having the same standard, the fall of exchange cannot go past the remitting point?—Exactly.

8909. But you say the fall of exchange stimulates production?—The fall of exchange in a silver country like India, with open mints, does stimulate production by its effect in raising prices.

8910. As exports are only surplus production, would you not say that that stimulates exports?—It certainly stimulates exports.

8911. Would you put it in this way, that a fall in exchange, by its stimulus to production and exports, is what enables an adverse balance of trade to be adjusted between a gold-using country and a silver-using country?—Certainly.

8912. Now, on the question of India's trade with China, you say that the closing of the Indian mints led to a very serious fall in the China exchange?—It did.

8913. So that, to sell at the same price in China or Japan, the Indian mill had to lessen its cost of production?—Yes.

8914. If it could not lessen its cost of production, it had to get a higher dollar price?—Just so.

8915. You are aware, no doubt, that the China and Japan mills use Indian cotton to a very large extent?—A very great change has come over the Japan trade. They are taking an enormous quantity of American cotton now.

8916. They may do that, but they are still taking a very large quantity of Indian cotton?—I think the imports of Indian cotton into Japan are probably, this year, only one third of what they have been.

8917. Of raw cotton?—I believe so, from India. I believe in the previous year the exports of cotton were something like 220,000 bales.

8918. The exports of cotton to Japan in 1895-96 were 2 crores 44 lakhs in value, and in 1896-97 3 crores 76 lakhs, and in 1897-98, which is the latest return we have, 3 crores 25 lakhs?—My information now is, from a man who does a very large proportion of the trade, that Japan will take very little of this current crop of cotton from India owing to the cheapness of American cotton, and that his firm is doing a very large business in American cotton for Japan.

8919. The point I want to put is this, that to the extent to which China and Japan use Indian cotton they have no advantage over the Indian manufacturer?—Through the operation of exchange, not the slightest.

8920. The one equalises and counter-balances the other?—Quite so.

8921. Then it would be only when the China and Japan mills begin to use their own native-grown cotton, or American cotton, that the exchange question would come into play?—As regards the raw material, yes.

8922. Have you any statistics or information as to the extent to which China is beginning to grow cotton for her own mills?—There has always been a certain amount of cotton grown in China. I remember in 1861-65, during the American War, when there was what was known as the cotton famine, that China cotton was imported into England. We do not find it a very suitable cotton for spinning, ourselves, but it undoubtedly is used in the China mills.

8923. Native grown cotton?—Native grown cotton, undoubtedly.

8924. Have you any information as to whether the growth of China native grown cotton is increasing?—I have seen a newspaper report to that effect, but I do not place any reliance upon it. I do not know.

8925. If it should increase, it would be a more serious blow to the Indian trade than anything which has occurred yet?—It would be a very serious blow.

8926. It would be a blow, not only to the manufacturer, but to the Indian producer?—Just so.

8927. Then the Indian mills also compete with Manchester for the supply of the Indian home market?—Nominally they do. Practically they have ousted Manchester from the production of the coarse goods which they are able to manufacture. There is an attempt in Bombay now to spin finer yarns, but it has not succeeded to any great extent. As regards the bulk of goods manufactured in India, it is of such a coarse texture that Manchester cannot compete with it, and it has lost the trade for some years now.

8928. Has not the fall of American cotton enabled Manchester to compete to a certain extent in these coarse goods?—I should say not.

8929. Is it not the case that American cotton has fallen to a greater extent, and in much larger proportion, than Indian cotton in price?—I should say it has fallen, but, as the qualities are so different, it is rather difficult to make an exact comparison. Taking the 1*s.* 4*d.* exchange, the cotton they are using in our mills you may put down at 2½*d.* per lb.; the price of American middling to day is 3*d.* That is a difference of 16 per cent.

8930. Would you consider that a high exchange gives Manchester an advantage?—Yes, it gives Manchester a slight advantage.

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8931. The Indian mills you have told us work largely on borrowed money ?—They very largely use borrowed money, just to lay in their stocks of cotton.

8932. And, the higher the rate of interest they have to pay, the more it will tell on the profit they earn ?—Undoubtedly, very much.

8933. Does the higher rate of interest affect other industries besides the mill industry ?—It affects the jute mills. The jute mills in the autumn have to lay in very heavy stocks, for the same reason that the cotton mills have to lay in heavy stocks in the spring. It affects also indigo factories, which work largely on borrowed capital.

8934. How is the internal agricultural industry affected by a rise in the value of money ?—I do not think that it is much, if at all, affected, except as the stringency in the money market affects the demand for their produce. I doubt if the rates of interest charged to the cultivator are higher because there is a stringent money market at the seaports.

8935. They are not higher ?—I doubt if they are higher.

8936. I suppose they are always high ?—They are always high, I think.

8937. You object to a gold standard ?—Yes.

8938. Has the basis of 1*s.* 4*d.* anything to do with your objection, or do you object to it *in toto* ?—I object to it because it is not a natural basis. I object to any rate being fixed.

8939. Would you admit that there might be advantages to India in having a gold standard, seeing that about 80 per cent. of her trade is with gold standard countries ?—I do not think that that affects the question. The bulk of England's trade in the early part of this century was not with gold standard countries. When she adopted the gold standard, it did not affect her profits, it did not affect the volume of her trade in any way.

8940. If the ratio were brought nearer the intrinsic silver value of the rupee, would that lessen your objection to a gold standard ?—It would not lessen my objection. I think any ratio which is not of the actual value of silver is objectionable.

8941. You say one reason why you object to a gold standard is the difficulty of obtaining the gold ?—Yes.

8942. But are you aware that the production of gold in the world is increasing very largely of late ?—I am.

8943. That does not affect your opinion ?—Some surprise has been expressed that prices have not risen owing to the increased volume of gold produced, but it seems to me that, by the demonetization of silver, there was a very tremendous gap to be filled up before any increase in the production of gold would have any effect ; and, although the production of gold seems to be very large, it is not a very large per-centage on the total stock of gold in the world.

8944. You also say that there will be considerable danger of the gold being hoarded ?—I think there is.

8945. Gold is now obtainable at slightly over 15 rupees to the sovereign ?—Yes.

8946. So long as exchange is not put up over 1*s.* 4*d.*, gold cannot be cheaper than that ?—Just so.

8947. So that, unless there is an idea (which we have not heard of) of raising the ratio higher than 1*s.* 4*d.*, gold is now at its cheapest ?—Yes.

8948. But is there any indication of unusual hoarding going on now ?—The only case I have heard of is these Marwaris, who have turned their property, as much of it as they could, into gold, and have sent the gold into their native country. That seems a remarkable movement.

8949. Was not that from fear of the plague ?—Probably the plague had something to do with it.

8950. I heard that same story, and I was told that they were so frightened of the plague that they were deserting Calcutta and taking their gold and everything else with them ?—But they have not brought it back.

8951. (*Sir F. Mowatt.*) Have they come back themselves ?—Numbers of them have.

8952. (*Mr. Campbell.*) How is it known that they have not brought it back ?—Well it is not known. At any rate, they seem disinclined to turn it into capital available for carrying on business.

8953. One criterion of the extent of hoarding would be the extent of India's imports of gold from this side ?—Yes.

8954. There has been no marked increase ?—Besides the imports of gold, there is a certain production of gold in India itself, about three-quarters of a million sterling per annum ; it is only the balance of the exports and imports that is shown.

8955. There is no marked increase in that way. So that if, with gold, at its very cheapest, there is no unusual hoarding going on, is there any reason to suppose that, if a gold standard were introduced, even at 1*s.* 4*d.*, there would be any increased hoarding ? And, at a lower rate than 1*s.* 4*d.*, which would mean a higher price for gold, is it not reasonable to assume that there would be less inducement to hoard ?—The danger I see is that the natives might wish to exchange their hoards of silver for hoards of gold—not to increase their hoards, but to exchange them.

8956. They can do that now on the cheapest possible terms, and they do not ?—But circumstances might arise at any moment, especially if the Government stamp were affixed to the value of the gold, which would make the natives think that it would be better worth hoarding than silver. That is the danger I see.

8957. Have you any information as to the prevalence of illicit coinage ?—I can give no proof.

8958. I mean the coinage of a silver rupee which is instrinsically as good as the Government rupee ?—There is a very widespread belief that it is going on to a considerable extent, especially in the native states ; but, short of capturing the coiners and discovering their implements, I do not see that any proof is possible.

8959. What is the practice of Government at the present time with regard to light coins ?—Any light coins that we send to the bank are cut, and the pieces are returned to us, by which they become only of their bullion value, so that we lose, say, 6 annas on every light rupee, in addition, of course, to the loss of weight.

8960. The loss falls on the last owner ?—On the last owner who presents the rupee.

8961. Have you formed any idea of the proportion of coins thus cut up ?—I have not. In our firm we make our native establishment responsible for all fraudulent coins and all light coins, and I have no means of ascertaining the proportion of light coins.

8962. (*Sir J. Muir.*) Have these coins been light from the beginning ?—I am afraid a great many of them have been sweated. The natives will put a lot into a bag, and shake them up till they can collect a lot of dust from the bottom of the bag.

8963. (*Mr. Le Marchant.*) In speaking of these coins, it is the case, is it not, that the Government make an allowance for fair wear and tear ? I quite understand that, where they are sweated, they would be returned in the way you describe, but does that apply to all cases ?—I understand it does. Mr. Campbell has told me that the coinage of a particular year, which was withdrawn from circulation, was accepted by the Government at the full value, but my recent information from Calcutta is that all light coins are cut and the pieces returned.

8964. You were speaking of the importation of silver in or after the year 1878 ; do you attribute that to the high rate of discount and the demand for money ?—Yes, in 1876 and 1877 the average rate of discount rose very high, and that immediately seemed to draw silver from Europe.

8965. Do you consider that there were any other important causes which bear on that importation of silver ; or was that the chief cause ?—I see on the diagram that the line follows approximately the same variation in almost every case. If there is a high rate of discount, the import of silver immediately increases.

In 1890-91, owing to the apprehension, I suppose, of the mints being closed, there was a very large importation of silver, and down went the Bank rate.

8966. Was it not the case in 1877 that there had been a very heavy fall in the price of silver?—There was a rise in the rate of exchange in 1877.

8967. Did that concur with a fall in the sterling value of silver?—No; that concurs with a rise in the sterling value of silver. 1877 was a year in which there was a little break in the drop in exchange.

8968. The table which I have before me shows that the average price of silver was in 1875–76 $56\frac{7}{8}$ pence an ounce, and in 1876–77, $52\frac{3}{4}$ pence. A fall of 4*d.* would conduce to sending out silver?—I suppose the cheaper an article is, the more people will take of it, as a rule.

8969. Was it not the case that there were heavy Government borrowings in sterling at that period?—I have not the figures before me.

8970. Government borrowing in silver would be another cause, would it not?—There was a period from 1874–75 up to 1877–78 of very heavy borrowing.

8971. Sterling borrowing as well?—Sterling borrowing as well.

8972. That would, so far as it went, be a contributing cause, would it not?—I think so. Borrowing in sterling would probably reduce the amount of Council bills offering, and silver might be sent out instead.

8973. I think you were alluding to the remarks of a previous witness as to the increase of business in the cotton mills of Calcutta. May I ask whether there has been an increase in Bombay also, in out-turn? Of course I am aware that in the plague year there would naturally be a less out-turn, but taking the succession of recent years, would you say that the number of spindles employed has been more or less?—The number of spindles has been increasing undoubtedly.

8974. And the production naturally with it?—Naturally.

8975. That would point to a certain expectation of profit in the trade?—In Bombay they say it points to an expectation of profit on the part of the agents, who get 3 pies a lb. on the production of the mills under their charge.

8976. Still, I suppose, that is within the power of the employers to some extent?—Many of the mills in Bombay are worked on that principle. By employers, I suppose you mean shareholders?

8977. Yes, directors representing shareholders?—Many of the mills are worked on that principle, and there has been great complaint in Bombay about it.

8978. Have you any information as to the profit or loss of the mills established in Japan?—No, I have not.

8979. As to the mills in China, have not some of them changed their locality, with a view of more profitable business in a different spot?—You can hardly move a cotton mill.

8980. You can start a new one?—But you leave the old one up. I have got a list of the mills in Shanghai, and the mills at the out-ports, and also I see that another mill is being started at Hong Kong, but I have no information as to the exact results. I think I have already said that under Chinese management they gave very bad results.

(*Sir A. Dent.*) That is the case. I think some of the Chinese mills are in a very bad way just now, and the mills under the management of Europeans seem to be just holding their own, and one or two of them pay small dividends. That is the last news from Shanghai.

8981. (*Mr. Le Marchant.*) I think you were alluding to difficulty in placing the shares or debentures of joint stock enterprises in India. Do you know if there has been an increase, or the reverse, of the capital of companies registered under Indian law in recent years?—Oh yes, undoubtedly an increase.

8982. Up to a comparatively recent date?—Up to 1896 certainly.

8983. Do you consider that the recent absence of markets may be owing to some temporary causes?—I consider that it is owing to the closing of the mints.

8984. But that has only taken effect in the last few months?—Since the end of 1896. The Bank rate ran up in the autumn of 1896 from 3 per cent. to 10 per cent.

8985. Would you say that, with open mints, sterling capital went more freely into all forms of investments, take railways for example?—I have not had experience of sterling railway bonds, I do not know about that, but I do consider that as long as the mints were open there was a free, full flow of capital from England for industrial purposes.

8986. Has it not been necessary, for the Government to raise capital for railways to a very large extent in a sterling form and with a guarantee?—The Government have offered guarantees to private individuals and companies to induce them to make railways undoubtedly, a guarantee of 3 or $3\frac{1}{2}$ per cent.

8987. Do you think that policy would have been pursued, if rupee capital could have been obtained at similar rates?—Without the guarantee?

8988. Or even with the guarantee?—Possibly not. Railways require such an enormous amount of capital. In our own case, where we only wanted 25 lakhs, there did not seem to be any difficulty in getting it.

8989. You think it is a question of amount?—Also I think on the Bombay side there are two or three railways which have been built in the same way with rupee capital.

8990. Some have been subscribed since the closing of the mints, have they not?—Our own railway was subscribed since the closing of the mints, and before the stringency of money became effective.

8991. In speaking of stringency, do you think there were any causes besides want of currency which contributed to it?—Of course there are always causes which are in operation; for instance, we have busy seasons and we have slack seasons, and we expect to have dearer money in the busy season than in the slack season.

8992. Did the Government expenditure on railways, war, and famine, withdraw money from bank centres?—I think probably the expenditure on war did withdraw a considerable amount of money from the commercial centres.

8993. And the inability of Government to offer Council bills would, to a certain extent, have affected it?—The failure to sell Council drafts is equivalent to being unable to draw money from the Treasury. The Council drafts are the means by which money is withdrawn from the Treasury.

8994. And placed at the disposal of the market?—No doubt.

8995. But, in the absence of these, the market would to that extent have been bare of funds?—Yes, the market always expects to be able to get these Council drafts.

8996. That would have been a contributing cause?—If the Government refuses to sell Council drafts, of course it tends to make money scarce.

8997. But, if remissions of revenue are necessary, the Government cannot sell drafts as usual?—If it has not money in the treasuries, of course it cannot sell Council bills.

8998. It has been suggested that that money, wherever it may have been, would have performed the same service to trade as if it had passed through the Government into the hands of bankers. Would you be of that opinion?—Certainly not. Take the money that is expended on a frontier war. It takes a very long time for that money to dribble back into commercial channels.

8999. And equally if the revenue was not collected, so that the rupees remained up country?—If the people who cultivate the land have the rupees in their possession the revenue is not remitted, because they have to pay their rent.

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9000. Where would you consider the rupees would be in the case of the Government remitting taxation?—If Government defers collecting revenue, it is because they think the people cultivating the land are not in a position to pay it, and have not got the rupees to pay

9001. But, in the result, the funds would not be coming to the banking centres to the same extent as in the ordinary course?—If the Government has not the money in the treasuries, it is not available for Council drafts at the banking centres.

9002. And stringency to that extent would be increased?—Yes, certainly.

9003. Do you think stringency arose to some extent from the tendency to remit capital out of India at that time?—I think there was a tendency to remit capital out of India when exchange rose to about 1*s.* 4*d.*, and there were a great many instances in which more would have been remitted but for the fact that the persons who wanted to remit it were utterly unable to realise their securities. Their securities or Government paper they could not realise, or they would have remitted.

9004. Would the same cause have deterred capital from going out at that time?—Not if there was remunerative employment in India.

9005. But for the purposes of being lent for short terms?—That is a question for bankers, not for me. We merchants do not lend money for short terms. It is part of a banker's business.

9006. Were the banks influenced by apprehensions of a fall in exchange?—I think they wanted to be secure. They were sterling banks, and they wished to have all their capital, at all events, in the standard of which their capital was composed.

9007. But it would be the anticipation of an eventual fall of exchange that would determine them?—I suppose so.

9008. How far, with open mints, would the same conditions occur, if the sterling price of silver were falling?—I think that is a banking question. As far as a commercial man is concerned, I think, if he sees remunerative employment for his money in India, he will send it out. I do not think that we had any difficulty in getting money when the mints were open.

9009. But discount rates did rise frequently in crop seasons?—Of course there were fluctuations, sometimes high and sometimes low.

9010. But there was a frequent recurrence of high rates?—As a rule the rates always rise in the spring, about January and on until April, and then they fall, and in the autumn months you have the lowest discount rates.

9011. Can you point to any previous occasion when there was such a concurrence of circumstances—war, famine, and plague—contributing to stringency? For instance, it was not so in 1877-78?—No, perhaps not. I do not suppose there have been so many circumstances concurring before.

9012. If a gold standard were established, and confidence were secured, do you consider there would then be the same difficulty about money flowing out to India?—If there were confidence, I believe the money would go out; but I do not see how you can establish confidence in a gold standard.

9013. In the case of other countries that are on a gold standard, for instance, the United States and England, do you consider that money flows to and fro easily?—Yes, it comes very easily indeed. Of course, very often it is not necessary to send money, because it can be adjusted by bills and banking facilities, but gold does come freely from the United States, and goes back there freely on occasion.

9014. Still the possibility of its moving easily mitigates the difficulty to a large extent?—It obviates the necessity of moving it very often—the fact that it can be moved so easily.

The witness withdrew.

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Mr. DONALD GRAHAM, C.I.E., called and examined.

9015. (*Sir F. Mowatt.*) Will you state your qualifications?—I am an Indian merchant, a member of the firm of William Graham & Co. My head-quarters are in Glasgow.

9016. You are also a member of the Glasgow Chamber of Commerce?—Yes.

9017. Do you attend here as representing them?—No, simply as representing my own views.

9018. And as regards your firm, do you represent their views?—I am speaking for myself, but I ought to explain that my partners generally concur with me. There are two who do not. There are two who are in favour of a gold standard, if it can be managed; but both are against currency contraction. One thinks that convertibility might be guaranteed by the Imperial Government.

9019. The evidence you are giving to-day is practically your own evidence?—Practically my own evidence.

9020. (*Sir J. Muir.*) And that of the majority of your firm?—The majority, except the two I have mentioned.

9021. (*Sir F. Mowatt.*) As I shall have to take you over very much the same ground as the witness who preceded you, perhaps I may, with a view to shortening your evidence, ask you generally whether you agree with the evidence Mr. Cheetham has given. First of all, did you hear his evidence?—I heard a good deal of it.

9022. Does that generally represent your own views?—Yes, generally. I might express myself differently perhaps in some ways.

9023. You were not called before Lord Herschell's Committee?—No.

9024. But you wrote a letter to Lord Herschell which was printed in the blue book?—Yes.

9025. Practically, do you adhere to what you said in that letter?—I adhere to the evidence I then brought forward.

9026. We may take it, therefore, that you were opposed to the closing of the mints, in 1893?—Yes.

9027. And were you opposed to it on the ground which the previous witness went into, or would you like to specify the particular grounds on which you base your opposition?—Perhaps I had better specify my own grounds. The first objection I had was, the depreciating of the value of the silver ornaments of the natives. I thought it was a wrong done to the people of India, and impolitic.

9028. That assumes that the silver ornaments had been purchased when the rupee was at a higher price?—Well, they were purchased at the rupee value, weight for weight; they were the same value as the rupee, whatever its sterling price was.

9029. But the value of the rupee has increased since that time. Many of these ornaments may have been bought when the rupee was lower than it is now?—Yes, but in old times the silver in ornaments was always of equal value, weight for weight, with rupees.

9030. What I wanted to have explained was this. In the case of an ornament purchased when the rupee was at 1*s.* 2*d.*, if it was brought out and sold when the rupee was at 1*s.* 4*d.*, the owner would not lose so much by it?—Well, the owner would know nothing about the sterling value of silver. He simply sold it for rupees, weight for weight.

9031. But he might not lose appreciably?—If it was separated from the rupee, he would lose.

9032. Although he bought it when the rupee was of a lower value?—Yes.

9033. (*Mr. Campbell.*) With open mints he would always get 106 rupees for 100 tolas, whereas now he

would get 70?—Exactly; when the mints were closed he would only get 70 as against 106.

9034. (*Sir J. Muir.*) Therefore, there was a heavy loss?—A heavy loss. My point was that, from time immemorial, the native holder of ornaments had been accustomed to look upon ornaments as weight for weight the value of silver rupees. By the closing of the mints he was deprived of that, and his ornaments were depreciated in realisable value by about 30 per cent. My second point was that I thought too much stress was laid on the difficulties of the Government, and too little thought given to the interests and wishes of the people.

9035. (*Sir F. Mowatt.*) Do you distinguish the Government, acting for India, from the people themselves?—Well, I think the Government distinguished themselves as something separate from the people, and that I thought wrong.

9036. When you say that too much stress was laid on the difficulties of the Government, is it that you consider that the Government need not have called for greater taxation?—I thought they looked too exclusively, upon the difficulties of the Budget, and not enough upon the effects of what they were going to do.

9037. It is not that you denied that there was great Government stress, but you say there were other considerations which outweighed it?—Yes. Then I expressed the view that, had exchange not fallen, great loss and suffering would have resulted from the depreciation which must have taken place in the rupee prices of commodities. I am strongly impressed with the feeling that the prosperous development during the period 1876 to 1896, would either not have taken place or would have been greatly retarded. I expressed the view that, while I had no doubt of the ability of the Government to raise exchange by the restriction of the supply, I was of opinion that this would involve risk of loss, or even disaster, in other directions. I alluded to the practical difficulty of procuring a gold reserve such as would make the gold standard effective, while still continuing to give a sufficient supply of silver currency, as in the cases of France and America, to which the then proposed scheme had been likened. I remarked that India was a country of seasons—that, while the value of money might sometimes rise in the active season to 12 or 15 per cent., it might fall to 1½ or 2 per cent. in the idle season. Under an automatic system the supply would adjust itself, but I failed to see how the Government, under an artificial system, could so regulate the quantity as to give a sufficiency at one season without causing an inconvenient redundancy at the other. No one, I thought, could estimate the amount of injury which might be caused to the trade during its active period by artificial scarcity. I referred to Portugal, about which I had some personal experience; the fall in exchange there having been greater than in India, although up to 1891 the currency was believed to be upon a good basis and so definitely fixed that contracts were made indifferently in "libras" or in milreis, in the belief that the two terms were synonymous, but yet there came a great and sudden collapse. Then I referred to native opinion. I was at that time in correspondence with Mr. Sorabjee Bengalee, C.I.E., a Parsee gentleman of conspicuous reputation for high ability and financial experience, one of the most highly regarded and thoroughly representative men of Western India. He expressed himself in the strongest terms against the policy of the proposed closure of the mint. Mr. Sorabjee has since died. Those are the points that I brought forward in 1892.

9038. And you remain of the same opinion?—I remain of the same opinion, and I think that subsequent events have justified the views expressed.

9039. Do you consider, therefore, that the mints of India should now be opened to silver again?—Yes, I think it must come to that.

9040. Would you contemplate that being done at once, or by gradual processes, such as we have had described in the evidence put before us?—I should like it to be done gradually, if it possibly could be so done. The chief point is the stringency of money; and if that could be relieved—if, for instance, when the Bengal Bank rate went up to 6 per cent., or above, the Government were to buy silver and issue rupees in moderate quantities, say, a crore at a time—that would relieve the stringency, and, by raising silver and reducing the value of the rupee, it might possibly in course of time bring about an approximation of the two, and then would come an opportunity to open the mints. I do not think there is any urgency, so long as the money market is kept relieved. That is my chief point. I doubt also if the full effects of the closing of the mints have yet had time to show themselves. I think the mischief is in the stringency of the money market, and, if that is relieved in some way or other, I think the question of opening the mints might possibly be left alone; it might be delayed, perhaps.

9041. And the test of the necessity would arise when the rate of discount rose very much?—The rate of discount.

9042. You said that you were sensible of the stress of the Government's difficulty in 1893. Do you consider that the same difficulty would attend them now; that is to say, that payment of their gold interest would necessitate either borrowing or an increase of taxation?—Undoubtedly, in the first instance, yes. I would look upon it, more or less, as temporary.

9043. You would consider that the growth of prosperity that would result from the opening of the mints would be such that the product of the present taxation would in fact increase?—That is my view; and for this reason: I think there is no loss to the country; there is a loss to the Government, but a gain in other quarters. It does not make any difference to the country, as a whole, what the rate of the rupee is.

9044. But still the country, as a whole, would have to find the money?—The country would not have to find any more.

9045. You think the Government could continue to pay an additional 8 or 10 crores, or its sterling equivalent, and yet the country would not suffer?—The country would not suffer, because the country would gain in other ways.

9046. Have you considered at all, or do you regard it as outside your evidence, what taxation would be possible in the meanwhile, or would you have recourse to borrowing?—I would avoid borrowing. I would rather tax than borrow. I think it would be a pity to borrow.

9047. Have you at all considered what taxes would, in your opinion, be necessary?—To begin with, I think, there would be a great saving in opium. If you raise the exchange on China, assuming that the China price remained the same, there would be a great jump in the rupee price of opium. That I calculate would give you something like 1½ crores.

9048. You look upon that as a permanent increase?—As a permanent increase, assuming the dollar price in China remained the same.

9049. And that the amount of the opium trade remained the same?—Assuming that, yes.

9050. Then you would recommend import and export duties?—I would recommend import duties because, I think, the trade would bear it.

9051. And export duties?—Export duties, I think, might be a necessity, although I do not like them.

9052. Imposing the two would hardly amount to an encouragement of trade?—If, as presumably would be the case, prices rose as exchange fell, then the produce would be able to bear the strain of taxation. There are objections of one kind or another to all taxes, but it is necessary to raise the revenue in some way. Prices presumably would rise.

9053. You assume that prices would rise, if exchange fell?—I think that is the natural inference.

9054. Then you allude to death duties?—I do not know whether that has ever been suggested or not;

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but I know there has been a feeling in India that the wealthier classes escape taxation. Of course, I appreciate that it is a very difficult question, especially in view of the Hindu laws of inheritance.

9055. I understand you as only just indicating these points?—That is all.

9056. You would be of opinion that from these four sources the Government might raise the additional 8 to 10 crores of taxation required?—Yes There is another item I have jotted down, namely, the railway revenue. I think it would be quite fair for the Government to increase railway rates on the same ground I have mentioned, namely, that, if prices rose, commodities would be able to pay so much more for transport.

9057. You would not say that the rates are now fixed upon the basis which is thought likely to produce the largest revenue?—That is so; but, if prices rise, as I assume they would, commodities would be able to pay so much more.

9058. Then the whole of your argument rests on the assumption that opening the mints to silver would result in a considerable rise in prices?—I think so, yes, as well as on the belief that there can be no real advantage to India from the mere raising of the value of the rupee.

9059. Do you consider that the opening of the mints would have the effect of increasing stability of exchange?—I think it would now.

9060. Now, as distinguished from before 1893?—Yes. I think there were exceptional causes which broke down the price of silver, but I think those causes have now exhausted themselves. There was the demonetisation of silver in Germany, and there were the discoveries in America, the increase in the production of silver; and there has been a scare about silver all over the world which, I think, has been carried too far. If the mints were opened in India, I think it would be a signal for more confidence.

9061. More confidence in the future of silver?—In the future of silver; and I think there are great hopes for the future of silver. Africa is coming forward and China also, and, I think, there will be an immense consumption of silver in the future; and there are no exceptional causes, as far as we can see, to send it down.

9062. Would not a large production of silver have a tendency to lower the price?—No doubt. How far that would be so it is impossible to say.

9063. But does your argument assume that you have touched bottom with the fall of silver now?—That is my opinion.

9064. In speaking of the benefit to the trade of India generally of the free coinage of silver, would you say that the benefit was general, or that the benefit would be felt by particular classes?—I think it is general, for this reason: I think in a country like India you want a free and large and cheap and abundant currency, and I think you can only get that by an open mint.

9065. When you say "cheap" currency I am not sure that I follow you?—I mean ample. Of course it might be too cheap. I see there has been reference to it in the examination of previous witnesses. It was said: "If it was an advantage to India to have exchange at 1*s.* rather than 1*s.* 4*d.*, therefore it must be so much better to have it at 6*d.* or at 3*d.* or at 2*d.*—a *reductio ad absurdum*." Of course there is a limit; there is a limit of suitability. I say when the rupee gets below a certain point it would be unsuitable; but so far as we can see there is no possibility of that.

9066. Can you indicate, roughly, at what price you consider it would be unsuitable?—It is impossible to say exactly, but as long as it is a fair standard of value, suitable for the wants of the people of India, it would be all right. I think the people themselves are the only judges of the point at which it would cease to be suitable.

9067. I am not quite sure that I follow you even now. Roughly, should you contemplate the possibility of a fall below 10*d.* rendering it unsuitable?—I would not say below 10*d.* I think that would still be suitable, but it would gradually get less and less suitable, if it got much below that; if, to take an extreme example, it became like copper, it would be too bulky to be suitable. The people of India themselves are the only judges of the point at which it would cease to be suitable.

9068. You consider, I think, that the real necessity for the opening of the mints is to prevent the very high rates and the stringency?—Yes, that is my opinion.

9069. Now, taking the extreme stringency that we have had before us this last year, you were present when Mr. Le Marchant was examining the previous witness as to the causes other than the mere contraction of currency which affected that?—Yes.

9070. Without taking you through all the causes that were put forward, do you appreciate that the other causes had that effect?—Yes, I concur in that view that they must have had some effect.

9071. A comparison between the rates charged in India with those charged in England, would not be quite a fair comparison, would it, because the normal rate is lower in England than it is in India?—Yes, I agree in that.

9072. Do you hold that the stringency was general through the internal trade in India, or was it limited to particular localities?—I can only speak of my own knowledge for the Presidency towns. I know it has been said that it was not felt so much in the districts. I cannot speak as to that.

9073. As regards the Presidency towns, it was generally felt?—Yes, very severely.

9074. Does it coincide with your own experience that the native bankers were at that time lending money considerably below the bank rate?—I have no knowledge of that.

9075. I see it is stated that one of the native bankers was lending at 6¾ per cent., while the Presidency Banks were charging 10 per cent.?—Yes; that did not come within my experience. I can hardly understand it, there must be some explanation.

9076. The explanation was that they had not a fixed rate, but that it depended entirely on the security and the shortness of the loan?—Of course the period of the loan would make a great difference.

9077. On the whole, assuming the mints are not opened next year, should you foretell as great a stringency?—I think it is quite possible not. Everyone seems to expect it, and very often, when that is the case, everyone makes such ample provision that it is guarded against. That might happen this year.

9078. That rather suggests the idea that provision can be made to prevent stringency?—Well, to a certain extent, not altogether.

9079. Just in the same way as a famine foreseen is a famine provided against?—Yes.

9080. You have heard the previous witness say that, since the fall of silver began, prices in India have risen very much?—Well, I have tried to get at the prices, but they are all governed by so many different circumstances that I found it impossible to draw any real inference.

9081. I will not take you through the figures, with which I have no doubt you are familiar, but, as a general impression on your mind, should you say that they have risen?—If you take any particular article and examine it, you find there a number of causes which affected it. I have found it impossible to draw any definite conclusion.

9082. But upon the whole you would not consider that the prices have generally risen materially?—I do not think so. The prices of imports and exports at the Presidency towns I do not think have altered much. I have compared the prices given in the Bombay Chamber of Commerce reports for 1877 and 1897, and I find them almost identical.

9083. I was thinking more of the ordinary prices of the food stuffs of the people?—I have tried to get at that, and I have found myself unable to draw any definite inference.

9084. Without taking you through the reasons—because, if you entertain the opinion, the reasons are pretty clear—you say that a falling exchange as opposed to a fluctuating exchange stimulates exports?—Yes, undoubtedly, I think so.

9085. And you hold that the limit of the fall of the rupee, at which that ceases to be true, is what you have already indicated, viz:—the suitability of it?—Yes.

9086. Are you familiar with the China trade?—No, not at all.

9087. Or the output of the Indian cotton mills?—I have no special information beyond what is open everyone.

9088. Is it one of the grounds of your feeling in favour of the opening of the mints, that prices are, as a fact, steadier in silver countries than elsewhere?—I think they have been practically steady in India.

9089. I do not know whether your objections to a gold standard in India are on the ground of its impossibility or on the ground that it would not serve any good purpose?—Both.

9090. The impossibility depending on the amount of the reserve fund which would be necessary?—That is one reason.

9091. Do you consider that that fund must be larger than the amount indicated by those who take the Government view?—I think it is almost impossible to say what would be necessary, until it is actually tried.

9092. In saying that, do you refer to the possibility of increased hoarding?—There again, also, we do not know at all what would happen in the way of hoarding.

9093. Have you formed any idea of the amount of the reserve fund which would be necessary?—Well, Sir John Muir asked the last witness if 50 millions would be about it. I should put it at something like that, but it is a mere guess. That is the kind of feeling I have in my mind.

9094. I think we have gone over the ground pretty well with the previous witness. Have you any other observations you would like to make?—There are one or two notes that I have made. I noticed in Sir Edgar Vincent's evidence, he recommended that instead of Council drafts it would be better if the Government altered the system altogether and purchased bills in India. I think the Committee should consider very carefully before adopting that recommendation. It was tried once before about 20 or 25 years ago. The Government bought some bills in Calcutta and it created something like a panic in the market. The Bombay Chamber of Commerce took the matter up at the time and expressed a strong feeling about the mischief that had been caused by it; and they passed a resolution, which was sent to the Government, to the effect that, considering the enormous influence which the Government remittances had on the exchange market, the proper thing was to fix the general policy at the beginning of the year, and to adhere to it, unless for some very special reasons, very much as it is now. Then I have a note here about the China trade. Sir James Mackay gave statistics of the exports of raw cotton and cotton yarn to the Far East, but he omitted to give the exports of cloth, which is a very material point. I think that ought to have been given, because it alters the argument very much. His point was that there had been no falling off; that there had been rather an increase in trade with China in cotton and cotton yarns; but, if he had given the yardage of cloth, it would have told a very different story.

9095. (*Sir A. Dent.*) That is a very small item, is it not?—I have the figures here.

9096–7. (*Sir F. Mowatt.*) Do you say it affected his total?—No, it affected his argument.

9098. Will you give us the figures, and we can see how far it affected his argument?—There was a steady increase up to 1895–96.

9099. Will you give us the exact figures?—92,662,327 yards in 1895–96.

9100. From India or from Bombay?—This is from the whole of India to the Far East. It is corresponding with the figures that Sir James Mackay gives. In 1896–97 it fell off to 74,577,344 yards. In 1897–98 it fell to 62,251,715 yards—a falling off which has still been going on.

9101. (*Mr. Campbell.*) The value is very small comparatively, is it not?—The value was Rs. 1,49,89,631 in 1895–96, and it fell off to Rs. 1,06,48,893 in 1897–98. This is to all countries; it is mostly to China and Japan.

9102. (*Sir A. Dent.*) And it is all grey cotton?—All grey cotton.

9103. Unbleached?—So I understand. Then there is another correction which is a very important one—the quantity of silver coin in the country. In Mr. Harrison's evidence he gives it as 120 crores.

9104. (*Sir F. Mowatt.*) You mean circulating?—That is his estimate of the current coin in India. In his previous examination in 1892 his evidence, based on a similar calculation, brought out a very different result—that there were 166½ crores in active circulation and 50 crores in hoards. That is in the Herschell Blue Book, page 308.

9105. I do not think that the total 120 crores that he mentioned in his evidence the other day included hoards; that was the active circulation?—Yes.

9106. Still the comparison is between 166½ crores and 120 crores?—Yes. I do not know whether there is any explanation, but it shows the difficulty of ascertaining what the amount of existing currency really is, and it is a very, very important point, in connexion with any scheme involving convertibility.

9107. (*Sir J. Muir.*) It is a large divergence?—Yes. Then there is another point. There is a great deal said in the evidence about the speculation that was caused by a fluctuating exchange before the mints were closed. I would like to say that my experience is not that at all. I think the movements in exchange gave rise to the present system of covering or securing exchange, both in the import and export trade.

9108. (*Sir F. Mowatt.*) You think it rather checked speculation?—Yes, it rather checked speculation. That is my experience.

9109. Both before and since the closing of the mints?—Yes; there is another point that I have referred to, namely, the difficulty of securing exchange on account of the uncertainty of the money market. Debts are not paid with the same promptitude as formerly, and it is almost impossible to calculate when money will be paid; and therefore it is very difficult to arrange about forward contracts.

9110. Was not that equally so before the closing of the mints?—No, because debts were paid so much more promptly and regularly. Then I notice that Mr. O'Conor referred to the gold movements for the last five years. He said the large gold exports had been caused by the famine. There is a mistake there, because the large gold exports were made in 1894–95—before the famine. I think the explanation about the gold movements is the sudden rises or falls of exchange. When there is a sudden fall of exchange, there is a natural tendency to export gold. Before the bazaar price of gold responds to the fall, it becomes very suitable as a means of remittance. That has always been the case. When there has been a sudden fall of exchange, there has been an increased export of gold.

9111. It means a rise in the price of gold?—A rise in the price of gold, but the price does not respond just at once, and therefore it becomes profitable as a remittance.

9112. (*Sir J. Muir.*) You have given us your views as to the means by which the Government of India might increase revenue if they were so disposed?—Yes.

9113. You referred to opium, and you referred to import duties?—Yes.

9114. You mentioned that in 1897 the import duties amounted to 3¾ crores, and you think that by doubling the rates an increase of 3¾ crores might be secured?—Yes, I think so.

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9115. You are yourself a senior partner in one of the largest, if not the largest, import houses of Manchester goods into India, Ralli's running a very close race with you. You should be able to form a pretty accurate idea as to that, and as to the effects it would have on your own business. I take it, you do not see any difficulty, in so far as your own business is concerned, in the rates of import duties being doubled?—No, I think it is a lesser evil than to have a stringent money market.

9116. You agree with me that it is the great duty of those who desire the prosperity of India to do all they can to increase her export business?—I think so, undoubtedly.

9117. We have had witnesses who took another view, such as Sir James Mackay and Mr. Allan Arthur, in whose views I do not think you concur?—Not altogether, no.

9118. Then, as regards export duties, you are of opinion, I gather, that the export of jute might be fairly taxed, and also an export duty might be put upon tea, provided the 1*s.* 4*d.* rate were discontinued, which is a severe tax itself upon tea?—That is my view, especially as it has come out in the evidence that tea pays an export duty in China.

9119. You would, then, see no difficulty in an export duty of, say, 10 per cent. on tea and jute, which would bring in an income of 2 or 2½ crores?—Yes.

9120. In point of fact your view coincides with that of a great many of the merchants of India—merchants in Calcutta, Bombay, Madras, Karachi, and elsewhere, who think that the Government raise difficulties unnecessarily with regard to what they think the great difficulty of increasing the revenue from taxation and from further duties?—Yes, that is my view.

9121. And that view is held by a very large number of the merchant classes throughout India?—Yes.

9122. In fact, the Government seems to have made up its mind that, in order to square its Budget, the great thing is the 1*s.* 4*d.* rate, irrespective of the disasters it would bring on the mercantile classes in India?—Yes, that is so.

9123. Then you bring in here the death duties. I believe you have given to that subject some little consideration, and, personally, I should give a good deal of weight to your opinion upon the matter?—I explained to Sir Francis Mowatt that it was merely a suggestion. I know there are great difficulties in consequence of the Hindu law of inheritance, and there are other questions which make it a very serious matter, but I had not noticed that it had been referred to at all in the evidence so far given to the Committee, and I just mentioned it.

9124. You are aware also, are you not, that there is a feeling that the wealthy natives of India escape the taxation that they ought to bear?—Yes.

9125. And there is a feeling of injustice abroad in India with regard to that?—Yes, a feeling that they might fairly contribute more than at present.

9126. In point of fact, you think that, if it is a fair and just thing in this country to exact death duties, it might be just to apply the same thing in India?—I think, if there were not local difficulties, it would be just; and that, without pressing at all on the poor people unduly, a large revenue might be procured from the wealthy people who are now escaping taxation. I think that is a subject that ought to be fully considered.

9127. Then, as regards railway rates; if the country becomes more prosperous than at present, and there is a large population moving backwards and forwards with more money in their pockets, they can afford to pay higher rates for railway accommodation?—Yes.

9128. (*Sir F. Mowatt.*) Do you regard it as right that the rates and fares on the railways should be altered according to the means of those who use the railways or fixed with reference to the necessary cost of the traffic?—Well, both will have to be considered.

9129. I should like to understand whether Sir John suggests, and you accept, the view that, as the poor people may have money in their pockets, and are able to travel more, the rates of the railways should be put up?—I was not thinking of passenger rates; I was thinking of traffic rates. If prices rise, commodities can afford to pay more for cost of transport.

9130. (*Sir J. Muir.*) You were glancing at the rates charged by banks when making advances, and as to what might perhaps happen in the busy shipping season; are you aware that severe strictures have been passed on the Government for tying the rupees, and not allowing the banks of Bengal and Madras and Bombay to have the use of those rupees?—You mean in the Treasury balances. I think something ought to be done in that way.

9131. It has been a severe complaint, especially in the last year, when the rate went up to 10 per cent. in Bombay, Calcutta, and Madras, and 13 per cent. in other places, and when, with all that, money could not be obtained in Bombay even at 18 per cent. Do you think it would be well if some arrangement could be made for the Treasury to let free some of the rupees that are kept tied up irrespective of the loss and difficulty that are entailed on the merchants and people of the country?—I hope that, now the subject has been referred to, some arrangement may be made. I have been hoping that.

9132. You are aware that there has been a great feeling of discontent created throughout India by the Government policy last season?—I know it has been commented upon.

9133. Then, I see that you make special reference to the figures produced by Mr. O'Conor, which you think convey a misleading impression with regard to the Manchester goods trade. Will you kindly explain wherein you think Mr. O'Conor was wrong?—The comparison was given, naturally enough, perhaps, for 10 years, 1886–87 to 1896–97; but the year 1886–87 was rather a misleading one to take, because it happens it was a year of great activity itself; there was a sudden increase in that year. It was 5 crores more than any previous year. Therefore, the comparison of it with those following it would create a wrong impression. As a matter of fact the increase over the whole period has been very steady and continuous.

9134. Will you state the figures?—A more accurate idea, perhaps, is given, if you commence from 1876–77, which was the year of the first great fall in silver. The yardage in the year 1876–77 was 1,187 millions; in 1893–94, the year the mints were closed, the yardage was 2,130 millions. Similarly, cotton yarn increased from 33¼ to 42¾ million lbs., and that is in spite of the great competition of the local mills which, as the previous witness has shown, has taken away the whole trade in coarser cloths and yarns from Lancashire. As a matter of fact, the trade has steadily been increasing all through, and therefore it is a mistake to suppose, as implied by the figures from 1886–87 to 1896–97, that it was only stationary.

9135. Do I understand that you estimate that 232 millions of yards of these cloths have been lost to Manchester?—That is my calculation.

9136. Under the old *régime*, do I understand you to say that merchants, conducting such businesses as Ralli's and yourselves, had no difficulty whatever so far as exchange was concerned, because you knew the price at which to buy the goods in Manchester, you knew the price at which you could sell in Calcutta, and you could fix exchange forward?—Yes, that was done through the exchange banks.

9137. And there was no difficulty in conducting business in that way?—No, not at all.

9138. (*Sir F. Mowatt.*) It is now more difficult to fix the exchange forward?—Yes, on account of the difficulty of calculating when you will be paid your debts.

9139. Do the banks demand a higher rate?—No. I mean that, on account of the uncertainty in the money market, you cannot rely on getting your debts paid. Much larger credit has to be given now.

9140. (*Sir J. Muir.*) It is more difficult now to recover debts, and larger and longer credits have to be given by the bunneahs?—Yes.

9141. And all that tends to make business more difficult?—Yes.

9142. And there are greater risks?—There is greater uncertainty. As a matter of fact, the outstanding accounts of my firm, which used to form 16 to 18 per cent. of the total business, have latterly increased to over 30 per cent. Of course, the plague and famine have had something to do with that. I would not say it was all owing to the stringency of money, but that is the chief cause.

9143. And the same rules which are disadvantageous to your business affect other houses with a similar business?—I presume so.

9144. (*Sir C. Crosthwaite.*) You blame the Government for distinguishing between what you think were Government interests and the interests of the whole country?—Yes.

9145. Do you think that a Government which takes a certain course in order to avoid the necessity of putting more onerous and difficult taxation on the country can be justly blamed in that way?—But that is my point, that there would be no increase of taxation on the country as a whole.

9146. You think not?—I think not. The debts are paid in produce at the gold value, and therefore it makes no difference.

9147. Quite so, for India as a whole, I admit. Your principle is that the rupee is a mere medium, that the real exchange is an exchange between Indian produce and European produce?—Exactly.

9148. And that, therefore, the real question is the sterling price of Indian produce?—Yes.

9149. And you think that, if the mints are reopened, the deficit that will follow, owing to the greater number of rupees which Government will have to find in order to pay the home charges can easily be met by increased taxation on the country?—I think it can be met. I will not say easily, because I quite realise that there will be difficulties; but it can be met, and my point is that that is a lesser evil than that of forcing exchange by artificial scarcity.

9150. You also think that a fall in exchange will stimulate the exports?—Undoubtedly.

9151. That is to say, there will be more exported from India?—Yes, there will be a stimulus to production and more exports.

9152. I suppose you admit that to export more from India merely, in itself, is not necessarily a good thing?—Oh, yes; I look upon a country as like a great manufactory. Its first charges are its own requirements and ——

9153. For instance, if 1,000 tons of wheat are exported from India now and fetch 1,000*l.*, it will be better for India under open mints to export 2,000 tons for 1,000*l.*?—Yes.*

9154. The mere fact of increasing the quantity, irrespective of the price obtained, is good, you say?—Yes, I say it is good because it increases production and gives employment to the people.

9155. Would you apply that to any private individual—that if he can sell a ton of any article for 1*l.*, it is better for him to sell 2 tons for 1*l.*?—There are fixed charges, and the on-cost. Up to that point there is no profit. The profit begins after that. As you increase the quantity, the advantage goes on in an increasing ratio.

9156. But can you apply that to the agricultural products of a country which is worked in small tenures?—Yes, most certainly.

9157. The more they pay out, the better, no matter what they get; the more they export the better, no matter what they get?—Well, of course there is a limit to that.

9158. That is what it comes to—the more they export, no matter what the price is, the better for them?—No, I would not say that.

9159. Therefore it is a question of sterling price?—Sterling price, undoubtedly.

9160. If you stimulate production in this way by opening the mints and having cheap silver, will you, or will you not, lower the price; is not the effect to lower the sterling price if you pour quantities of Indian produce on the market?—I do not think so. It may have a small effect. It is a question of supply and demand. If the supply is in excess of the demand, then the price is forced back on the cost of production, but, if the demand is equal to the supply, or in excess of it, then the price is governed accordingly. In such great articles of Indian produce as wheat and cotton, they are influenced by other circumstances altogether. To a slight extent possibly the quantity from India may affect the price, but it can only be a small per-centage.

9161. Then in what way does low exchange stimulate the exports?—Because the cultivator, instead of selling his produce for 12 rupees, gets 13 or 14 rupees.

9162. He gets more rupees?—He gets more rupees, and he is able to cultivate more. He is encouraged to take in more land and to put it under cultivation.

9163. Then you think he does get more rupees?—Yes.

9164. You think that prices in India do rise?—They must rise, if exchange falls. Cotton, for instance, must rise at the port, and that must reflect itself sooner or later on the grower.

9165. But I understand you to say that silver prices in India do remain pretty steady?—They have done, because there has been a considerable fall in gold prices.

9166. If silver prices in India have remained steady, then the cultivator cannot be said to have had more rupees?—Well, taking it in that way; but on the other hand, if exchange had not fallen, if silver had remained at its old level, he would have had to accept fewer rupees.

9167. He might have got less rupees?—He might have got less rupees, and he would have suffered very much.

9168. Then you say, never mind about the taxation, because the country will get so many more rupees; but what certainty have we that the country will get any more rupees? All that has happened hitherto, according to your own statement, is that the cultivator has not got as many less rupees as he would probably have done if the fall of silver had not for him counteracted the fall in sterling price?—I think the answer to that is that there has been a great fall in the sterling price of commodities, and—that being so—it is certain that, if silver had remained at its old level and the rupee at 1*s.* 10*d.*, there must have been a corresponding fall in rupee prices. The general impression now is, however, that we have got to the bottom.

9169. Then we are to take a great step, on the "general impression" that we have got to the bottom?—Yes.

9170. And, if rupee prices do not rise as you anticipate, and the Government of India has opened the mints, what will be the condition of that Government, where is this extra taxation to come from?—Again the answer to that is that, if prices did not rise with open mints and a lower rupee, it would be because gold prices had continued to fall; and, were such to be the case, then with closed mints you would have a corresponding fall in rupee prices,

* *Note by Witness.*—This answer requires explanation. I do not seem to have followed the exact meaning of the question. The idea that open mints would so affect sterling prices is one to which I am opposed, and in my reply I was thinking only of the advantage a country must have in finding a market for its surplus produce. The circumstances which could have brought about such changes in values must have been accompanied by so many other changes of an economic kind that it would have been impossible to reply directly to the abstract question as I now read it.—D. G.

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and great suffering in consequence. It is as broad as it is long, depending upon sterling prices.

9171. Suppose India, in reopening the mints, does pour a quantity of produce upon the London market, the tendency will be to lower the prices?—I do not take that view. Of course, it is a disputed question.

9172. Many of the witnesses we have had have stated that the first effect of a fall of exchange is to lower the sterling price?—I do not take that view myself. Of course it is a matter of argument.

9173. It is not so certain after all?—No. Of course everyone is entitled to his own opinion, and I know that views differ. In some few articles, in which Indian production governed the sterling price, it would no doubt have some effect, but only, I think, if supply exceeded demand.

9174. Then there is another point which bears upon that, and it is a question which I asked a former witness. We have had experience now for years of a falling rupee, and we have not found that the revenue rises to meet the deficit. You are aware that the Government of India has had to put a good deal of taxation on the country since 1884?—I think there was an error about that. It is all given at page 271 of the Herschell Blue Book.

9175. Since 1884, taxation has been increased?—Since 1884, until the closing of the mints in 1893, there have been three crores of taxation. I think you are including the cotton duties, which were imposed subsequently.

9176. I am taking it up to the present time?—But that was after the mints were closed and the cotton duties were reimposed. It was just the reimposition of what was remitted in 1882. Taking the whole period, from 1873 to 1893, there were increases amounting to Rs. 4,15,40,000 and remissions amounting to Rs. 4,57,40,000.

9177. Including those duties, there were 4½ crores added to the taxation since 1884?—Rs. 2,94,00,000 up to 1891. Then there was subsequent taxation—the cotton duties were reimposed in 1894.

9178. Also, taking the surpluses and the deficits for the 25 years from 1873 to 1898, the Government has had a net deficit of Rx. 2,398,088?—Of course, it depends very much on the dates. At each fall of exchange there has been a heavy deficit.

9179. But, taking the 20 years together during which we have had this fall of exchange, we have ended with a deficit. There is a net deficit over 20 years of over Rx. 2¼ millions?—Yes, that appears to be so. As I say, at each fall of exchange there was great difficulty and a deficit, but, as trade responded, things revived and there was a great surplus. There was a deficit in 1876–77, which was the first great fall of exchange. Then there were two more bad years, and there was a deficit of Rx. 2½ millions and 4¼ millions roughly.

9180. But, taking the whole 20 years and deducting the surpluses from the deficits, there remains a net deficit?—I do not think it is fair to take the whole 20 years—you should take the different periods. The first great fall of exchange was in 1876–77. Then there were some very bad years, but when the trade responded there were great surpluses. Not only trade responded, but revenue increased, and there was a great remission of taxation in 1882–83. Here are the figures: In 1882–83 there was Rx. 1,219,000 of cotton duties abolished; the salt duty was reduced by Rx. 1,400,000, and there were other small sums.

9181. There was a great remission of taxation in 1884?—There was a net remission of taxation of 2¼ crores. Then taking the different periods, there was that first great fall of 1876; and, as I point out, the trade at once began to respond. There was a very large increase in it, and also in the revenue. In 1880 to 1884 the revenues were very prosperous; so much so that it is dwelt upon in the Budget of 1882–83 as a great period of prosperity for the country. Then came another fall in exchange in 1885–86, and there were three bad years. Then the country responded again, the trade rapidly increased and with it the revenues, and in 1889, 1890, 1891, and 1892 there were large surpluses. Then came another period of depression, and that was met by the closing of the mints. My contention is that it is a fair inference that, if things had been left to right themselves as before, there would again have been an adjusting increase of trade and of revenue.

9182. Then there was an extra tax put on in the interim?—Yes; the salt duty was raised again, and the income tax was put on; that was Rx. 2,800,000.

9183. Then the *quasi*-local taxation that had been remitted in the North-West Provinces was put on again?—Yes, the patwari tax, Rx. 250,000.

9184. But my point was simply this, that during all that time this influence, which is said to be beneficial, was going on, the rupee was falling more or less steadily, and yet at the end of the time, in 1892, you see that the Government were face to face with the great difficulties with which you say you sympathise?—Oh yes, I sympathise with them, but my point is this, that the country does not respond straight off at once; it takes a year or two, or three perhaps; therefore I hold the view I have stated, and it is illustrated by these previous cases, where, if you allow a year to elapse, the country will respond and the revenues increase.

9185. Without taxation or with taxation?—Without taxation. As a matter of fact in 1882–83 there was taxation remitted, notwithstanding the enormous amount (which is also given in the Herschell Blue Book) paid for the Afghan war.

9186. But taxation was reimposed, and additional taxation added?—Not at that period.

9187. Not at that period, but since that, while the rupee has continued to fall, the Government have been compelled to reimpose the old taxation and to impose additional taxation?—Yes, but I say the country has not had time to respond to that. There was an increase of 2¾ crores in 1886–89, but in the three years following that there was no less than 6½ crores of surplus.

9188. What happened after that?—Then there was a fall again, and there was a big deficit, and that is what led to the closing of the mints, and the whole position was then changed.

9189. You say the country has not had time to recover even from that last fall?—I say everything has been checked. I quite admit plague and famine have had an important influence; but I say, more than anything else, the stringency of money has interfered with the progress of the country. That is my experience. I am strongly convinced of that.

9190. Anyhow, notwithstanding those figures, you maintain that a falling rupee will enable the country to meet any extra taxation that will have to be imposed?—Yes, it does not make any difference; it is taking from one pocket and putting into another. The Government save, but at the expense of the country, but it does not do any good to fix the rupee; you could not make the country rich by raising the internal value of the rupee.

9191. You say it makes no difference to the country as a whole whether the rupee is at 1*s.* 4*d.* or 1*s.*?—No.

9192. Then how is the country, as a whole, better able to pay the increased taxation, which the 1*s.* rate would necessitate?—Because the cultivation and produce are so enormously stimulated. If the people get more for their produce, they grow more.

9193. I thought your principle was that they got no more for their produce—that it did not matter to them what the exchange was?—They get more in rupees, which is what they look at. I say the great thing is to give them rupees, and to encourage the production of the country. As Mr. O'Conor says, there are 100 million acres of culturable waste land. Is it not the duty of the Government, seeing that the population is increasing at the rate of 3,000,000 a year, to do everything that is possible to stimulate the productive power of the country, and so to give food and employment to the rapidly-growing population?

9194. Then, whatever they gain on the exports in rupees, I suppose you admit that they would have to lose on the imports?—Yes, I admit that, and I am a sufferer myself; but it is only temporary. I am constantly asked how I, who am an importer of piece goods, take up this line. I say it is not a matter of imports and exports; it is a matter of the welfare of the country; and therefore if an exporter gains by stimulated production, I, as an importer, if I do not gain directly, will gain afterwards by the increased prosperity of the country.

9195. (*Sir F. Mowatt.*) Generally, I think, it has emerged from this conversation that you hold that the greater the number of rupees that pass through India, the greater is the benefit to the country?—Yes, that is what it comes to.

9196. (*Sir C. Crosthwaite.*) Irrespective of the value of the rupee?—Irrespective of the value of the rupee. Of course there is a limit, as I said, as long as the suitability is maintained.

9197. You think there has been a great contraction of the currency?—There has been a contraction felt; there has been no actual contraction, because no rupees have been taken off, but there has been a constant dispersal, and that has been felt; the wants of the country are always increasing; and, if no increase of currency is given, it is practically contraction.

9198. Has that shown itself in prices? It ought to show itself, I suppose, in the lowering of rupee prices in India?—Yes.

9199. Have prices fallen in response to it?—It is said not; but perhaps it is too soon to judge.

9200. Take the ornament matter. There is a case where the price of silver in rupees has fallen?—Yes.

9201. But do you think the prices of any other commodities have fallen in consequence of the restriction of the currency?—I was saying that I had great difficulty in following prices; there are so many different circumstances that affect them.

9202. *Primâ facie*, we might presume that the price of other commodities has also fallen if we could trace it?—Yes.

9203. But they are affected by many other causes?—They are affected by many other causes.

9204. If that is so, is it right to say that a wrong has been done to the people of India by closing the mints, in respect of their ornaments?—I think so.

9205. Suppose a man could have got 2 rupees for his silver ornaments before, and now he gets only 1 rupee 8 annas, or 1½ rupees say, yet that 1½ rupees is worth as much perhaps to buy food and other commodities as his 2 rupees were before?—Well, you cannot tell that. He ought to have the 2 rupees, because he was led to believe that the rupee and silver were synonymous terms—weight for weight.

9206. That is to say, he has been accustomed to think so?—He has been entitled to believe so.

9207. That would not apply to any gold that he had saved or hoarded?—No, because gold is a marketable commodity; that is different, you can scarcely compare silver with ordinary commodities.

9208. Still he would lose on his gold just in the same way?—He might or might not. That is a different thing. He would know, if he bought gold, that he might lose or gain, because gold is a commodity.

9209. I suppose you would admit that of the people's savings there is more saved in coined rupees than there is in uncoined silver?—You mean in ornaments?

9210. I am taking the people of India generally. There is more money saved in coined silver, in rupees, than in uncoined ornaments?—I have no information on that subject.

9211. We were told so, I think, by Sir Antony McDonnell?—He would be a good authority upon that.

9212. (*Sir F. Mowatt.*) He put it, I think, at about two rupees for one rupee's worth of ornaments?—I have no knowledge of it myself.

9213. (*Sir C. Crosthwaite.*) If that is the case, if the savings in rupees are larger than the savings in uncoined ornaments ——?—To that extent, my criticism would not apply.

9214. The mass of people have gained on their savings, supposing that to be true?—Supposing that is the case, that is true.

9215. And if you reopened the mints, and you dropped the rupee down below what it ever has been, you hit all those people who have saved rupees?—I suppose you do. They would lose the advantage of the artificial value given to the rupee.

9216. So that it does not seem to me that there is more to be said on the one side than on the other, with regard to hoardings and savings?—Well, of course, there are both sides to be considered.*

9217. As to the prices of food, you say you do not know whether they have risen?—No, I have tried to examine the question of prices, but I have not been able to find that out.

9218. (*Sir A. Dent.*) You were saying that, if the mints were reopened in India, there would be an immense consumption of silver, and that would probably be added to in the course of time by a large consumption in Africa and China?—Yes.

9219. Then you say also that silver has about touched bottom?—That is the impression that I have, judging by the state of the market for the last few years.

9220. Do you think the amount of silver can be largely increased?—No doubt it would to some extent.

9221. If that can only be increased to a moderate extent, will not the price of silver be materially forced up in the next few years?—I think it very likely will.

9222. Then on the other hand we have an increasing production of gold?—Yes.

9223. It has increased enormously in the last 15 years?—Yes.

9224. And we know that that gold is absorbed by Russia, Germany, and Japan and other countries?—Yes.

9225. That absorption will cease, no doubt, at some time. All these new supplies of gold will be pressing on the market?—Yes.

9226. Do you not think we shall then have a much higher ratio between gold and silver than we have at present?—I think that is quite possible and even probable.

9227. Do you not think that this question may settle itself in the course of time?—Yes, and I have said that, as long as we keep the money market steady, the thing may be allowed to drift; the money stringency is the only thing that I think is urgent.

9228. I suppose you would sooner see the Indian Government begin at 1*s.* and work upwards, than adopt their present principle of 1*s.* 4*d.* and work the markets up to that?—Yes, that is my view. I would rather see them go on some sound basis.

9229. It was suggested, (I think by your partner, Sir Frank Forbes Adam), that India should make overtures to America to try to get on a proper basis. Do you agree at all in that?—I think it would suit India. As far as I understand it, the proposal is that India should come under an obligation to keep the mints open for a certain limited period. I think that would suit India very well. I do not care about international agreements very much.

9230. That is the point; it would be very difficult for India to carry out any international agreement?—Very difficult, and I do not think France would come in. What I would be afraid of is that there would be a temptation to enter into negotiations with a view of getting a higher ratio. I think it would be a mistake

**Note by Witness.*—Mr. Harrison (page 308 of the Herschell Blue Book) estimated in 1893 that the silver in India amounted to 510 crores, including 300 crores in ornaments and bullion; 166½ crores of rupees in active circulation; and about 50 crores of rupees in hoards. If this is correct, then Sir Antony MacDonnell must be making a mistake.

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for India to propose the negotiations. If an offer was made to India it might be accepted, but I object to her entering into negotiations which would only disturb the market and might never come to any result.

9231. As to your suggestions for additional taxation, one of them is with regard to opium. That would be a very precarious source of revenue, would it not? The trade is largely dying out on account of the large growth of opium in China?—I do not know anything about the trade. I merely take the figures of the trade as it is, and calculate the difference in exchange. Very likely you may be correct in that.

9232. Then you suggested doubling the import duties. Do you think that Manchester and Glasgow would agree to that?—I think there is a general acceptance of my view, so far as I have heard, and I am in a fair way of knowing.

9233. Then you consider that they have materially changed their views from those that, as we know, they held at one time?—I think one of the strong reasons against import duties at that time, was that the amount to be collected was small in comparison with the amount of trouble and annoyance that would be created. Of course, if the collections were doubled that argument would be in great measure met.

9234. You have made some remarks about the difficulties of buying exchange forward. Have you not found in your business for the last few months that it has been comparatively easy to fix exchange several months ahead?—That is very easy, but I refer to the difficulty owing to the uncertainty of payments. Credit, owing to the state of the money market, has had to be extended very much.

9235. I think we all find in business that exchange can now be settled many months ahead with much greater facility than it could a year ago?—Are you talking of India and China business?

9236. I am talking of the last four or five months as compared with two or three years ago?—No, I do not think so; for many years past there has not been any difficulty.

9237. (*Mr. Campbell.*) One question as to the effect of high or low exchange on prices. You stated that the effect of a falling exchange was to raise the rupee price?—Yes.

9238. I think Sir Charles Crosthwaite suggested that there might be an offset in a fall in the sterling price?—Yes.

9239. But would you consider that, in such articles as cotton, wheat, and hides, and large articles of export of that kind, India is not the only seller *to* European markets; she has to compete with the United States and other countries?—Yes.

9240. And she is really a comparatively small seller?—Just so.

9241. So that the Indian supply cannot regulate the sterling price?—No.

9242. An increase or decrease in Indian exports will have a very small effect?—That was the conclusion I came to.

9243. Then, again, you said there had been no actual contraction of circulation since the mints were closed?—So far as I know.

9244. But are you allowing for such influences as wear and tear and export?—Well, what I meant was that probably there would be no melting.

9245. There might be less melting, but can you say that there has been no melting?—No, I cannot say that.

9246. From ordinary causes, would you say that there had been no contraction?—There has been relative contraction as compared with the previous times, when there was constant automatic expansion.

9247. While, with the population increasing, as it is, one would naturally expect that they would require more?—Undoubtedly, yes.

9248. Sir Alfred Dent has asked you whether you approve of trying to come to arrangements with other Governments in regard to the opening of the mints. You said that you were adverse to negotiation?—Yes.

9249. Do you think that one great difficulty would be the question of fixing upon a ratio?—I think that would be the difficulty.

9250. And you also think that it would be inexpedient for India to tie her hands?—For any lengthened period. I think if we merely kept the mints open at 22 to 1 for 10 years, that would be a mere nothing.

9251. You could not recede from it once you had agreed to it?—I do not suppose India would wish to recede from it, but, if she was only bound for 10 years, her independence would not be materially compromised.

9252. Then you suggested that, with the view to the gradual resumption of free coinage, the Government might, in the first instance, coin as occasion required?—Yes.

9253. Would not that be a questionable power to confer on the Government?—Yes, it would, but I propose it as a temporary measure—as an expedient—to let the exchange fall gradually.

9254. Would you consider that a proper power to put into the hands of Government?—Well, there are objections to it, but I think for a temporary purpose it would not be objectionable.

9255. Government's interest, of course, would be to maintain exchange for the sake of their council bills?—My suggestion was that it should be guided by the Bank of Bengal rate. If the Bank of Bengal rate went up above 6 per cent., or whatever it was, they should issue rupees and relieve the money market.

9256. Would not that be to transfer the power of regulating the currency into the hands of the Bank of Bengal?—I see that. It is a matter that must be carefully considered, and perhaps I have not sufficiently carefully considered it.

9257. The Bank of Bengal's interest might clash with the public interest?—Yes.

9258. It might be their interest to refrain from putting the rate above 6 per cent., and they might refrain from doing it?—That is a very strong point undoubtedly, but they could not long resist the course of the market, or their reserves would be drawn away from them.

9259. Then, again, there is another point in connexion with that; you cannot eliminate the Government's power of control altogether, because the Government have it in their power to manipulate the money market of Calcutta by means of withdrawing or lodging their Treasury money with the Presidency banks?—Yes.

9260. So that, if they found it to their interests either to coin or not to coin, they might be under the temptation of manipulating their balances at the Presidency banks with that view?—That might be so. They would have conflicting interests, on the one hand to make the profit on coinage, and on the other to support the rupee by restriction; but I should hope that they would aim at doing what was really best for the country.

9261. Do you object to a gold standard altogether?—I object to a gold standard altogether, because I think it is impracticable. It depends upon what kind of gold standard you mean. If it could be made effective and convertible without expense, I would not object to it, but I do not see how it can be done. I would not object if it could be done economically and safely and effectively.

9262. Is the present ratio of 1*s.* 4*d.* any part of your objection to the standard?—Well, it is a question of degree. If it was 1*s.* 2*d.*, it would be more easy to keep it.

9263. It would be nearer the real silver value?—Just so.

9264. And, according to your view, the lower rate would help to maintain the favourable trade balance on which Government depends for payment of its obligations?—That is so.

9265. And to whatever extent the ratio approached nearer to silver, the evils from the present system

would, in your opinion, be mitigated?—Yes, provided the money market was relieved.

9266. That is, a standard established which would promote the flow of gold into India for currency purposes?—Yes; it would have a better chance of doing so.

9267. At present the rate of 15 rupees to the sovereign has not brought in gold at all?—No, because the sovereign has a greater value in the market.

9268. And the question would be whether 16 or 17 rupees would induce people to send gold to the Currency Department, where they will not send it at 15 rupees?—Yes.

9269. Now there was a question that I asked Mr. Cheetham, whether, considering that 80 per cent. of India's trade is with gold-using countries, there would not be certain advantages in having a gold standard on that ground. What do you say to that?—I think there would be certain advantages, but I do not think it matters much. As long as there are no violent fluctuations, I think the trade accommodates itself to gold or silver; so I do not think it matters very much.

9270. If both England and India were on a gold standard, the trade balances could be much more readily adjusted than now?—Yes.

9271. And an adverse trade balance could be adjusted by a shipment of gold home in that case?—Certainly that would be an advantage.

9272. While at present, or with a silver standard, it can only be adjusted at the cost of a heavy fall of exchange or the temptation to increased sterling borrowing?—Yes; if there were not the great practical difficulties to get over, it would certainly be an advantage to adjust trade balances in gold.

9273. India could not adjust her trade balance very well by shipping home silver to Europe, because the loss in exporting silver and selling it in Europe would be so great?—She could not ship it to Europe, she could ship it to Eastern countries, and under open mints she thus exported not only silver but rupees.

9274. You alluded to the trade of India being seasonal, requiring a large supply of currency at one time and involving a plethora at another?—That is one of the practical difficulties.

9275. And that, you say, may lead to a rate of interest of 12 per cent. at one period, while at another the rate may be as low as 1 or 2 per cent.?—Yes.

9276. Would not the gold standard obviate that, to some extent, at all events?—Yes, because you could transfer so much more easily.

9277. Then another advantage would be the stability of exchange?—Certainly, if you could establish an effective gold currency.

9278. Now, suppose a gold standard were thought to be desirable, the question would be as to finding the gold?—Yes.

9279. Would you approve of borrowing for that purpose?—I think it would be very objectionable.

9280. Borrowing ought to be avoided?—Borrowing ought to be avoided.

9281. You think any increase of sterling obligations ought to be avoided?—Any increase ought to be avoided; and I may say here it is one of the drawbacks to what has happened that the Government has had to borrow 6½ millions for the mere sake of supporting exchange. That has been one of the unfortunate results of closing the mints.

9282. Then, at a ratio which would not hamper or embarrass trade, do you see any difficulty in the way of India acquiring the necessary gold in return for her surplus exports, in the same way as she has hitherto acquired the necessary silver for the purposes of currency?—There would have to be some attraction for it.

9283. Suppose a lower ratio is given?—A lower ratio would attract it.

9284. You consider that a better mode than borrowing?—Oh, yes.

9285. And, of course, it would be a slower process?—Yes, and it could only be done if the trade balance was constantly favourable.

9286. Do you consider there would be any disadvantage in its being a little slower?—No, I do not think so.

9287. The gold, as it came out, would relieve the money markets—as it was passed into currency, it would relieve the money markets, would it not?—I do not see how the gold is to be got out.

9288. Supposing the mint price of gold is not lower than the market price, people shipping gold would send it to the currency department instead of selling in the bazaar?—Yes, that would depend on the bazaar price.

9289. But the question of ratio does come in?—Yes; if that were possible, it would certainly be a better way; the question of ratio is very material—the lower the ratio, the better the chance of attracting gold.

9290. I suppose you admit that that would postpone the question of convertibility until a sufficient supply of gold had been acquired?—Yes, it would. Borrowing would be a much quicker process, but would be very costly, and always with risk of eventual failure.

9291. (*Mr. Le Marchant.*) You were alluding to a remission of taxation in 1882. Was it not the fact that that followed a very considerable reduction in the Government expenditure on public works? Financial conditions were more favourable in consequence of diminished expenditure on public works and reduction of establishment?—That may be so. I had not noticed that.

9292. And subsequently the Government did not find it possible to continue so low a rate of expenditure?—I had not noticed that. I do not remember that.*

9293. I think you quoted a remark of Lord Cromer, in introducing the budget, alluding to the prosperity of that time?—Yes.

9294. Do you recollect that he subsequently, said that if he had foreseen the future, he would never have reduced taxation?—I had not heard of that.

9295. Did not England give India 5 millions sterling towards the expense of the Afghan war?—I think there was such an item, but there was a very large Indian expenditure on the Afghan war.

9296. Yes; but England did contribute to assist India?—Yes. I think in 1880–81 there is no less than 7 crores charged for war, and 5½ crores in 1881–82. That is nearly 13 crores in two years.

9297. I think you alluded to silver, or the rupee, as possibly in the future becoming a coin of widely extended use in Africa?—Yes.

9298. How far is it the case that at present four different Protectorates have moved in the direction of a gold standard rather than silver? Have you given any attention to that?—No. I know that the rupee is the coin of Zanzibar.

9299. The rupee is no doubt used by coolies who have emigrated from India, but can you say anything further than that?—What I had in my mind was that for a few years past there has been a kind of scare about silver and a desire to boycott it, which is, I think, very unfortunate; and I think, if the Indian mints were opened, silver would come to be in favour in most of those countries.

9300. You think those countries might follow suit?—Yes.

9301. You say that, in your opinion, "the Government is shifting the burden on to the country and "trade"?—Yes.

Note by Witness.—The expenditure on Public Works is given in the official returns as follows:—

	Rx.
1877–78	5,066,965
1878–79	5,171,501
1879–80	6,371,166
1880–81	7,397,443
1881–82	6,393,531
1882–83	7,165,747
1883–84	6,580,721

Mr. D. Graham, C.I.E.

15 Nov. 1898.

9302. But must not the country and the trade bear the burden in any case? The Government cannot be separated from the country and the trade?—The burden thrown on the trade is this money stringency; the Government has artificially raised the rupee for the mere sake of balancing the budget.

9303. But still the Government cannot be isolated from the country. The country at large must bear the burden in some way?—I entirely agree, but my point was that the Government has, as a matter of fact, separated itself and considered itself as something different from the country and trade, and has described the loss in exchange as a loss to the country, which it is not.

9304. It is a loss just so far as taxation would be a loss to the country?—Well, it is as broad as it is long.

9305. When you say that it is as broad as it is long, in what form do you think that a benefit to a country arises from a lower exchange?—My point is that the debt is paid in produce—it is not paid in rupees. The Government save on the Council drafts by a high rupee, while the country suffers in consequence by the artificial contraction of the money market. In my opinion, the loss to the country is really greater than the gain to the Government, but, as far as the actual payment of the debt is concerned, it is the same.

9306. Taking the country as a whole, it is neither a loss nor a gain?—Just so.

9307. It is the sterling value of the produce which you must consider?—Exactly.

9308. Taking the country as a whole, what is the effect of importations of silver? I am assuming that silver falls, and that more is taken by India in payment for exports, so that a larger amount might be available for currency. As between India and countries abroad, England for instance, would you say that there is any difference, for that it is merely that a certain amount of sterling value is sent in silver instead of some other form?—Very much so. It would come in as an import with other commodities.

9309. But a larger quantity, owing to the fall in price?—Yes, and owing to its suitability for India.

9310. Then taking India itself, and the different interests in India, would not some producers and mercantile houses make a profit on the importation of silver and the higher prices of produce?—In the first instance they would.

9311. But would not that be paid by the purchasers in India? Would it not be a transfer of wealth in India itself?—There would be a gradual distribution, but, if there was a general rise, it would be distributed all over.

9312 But, so far as there is a rise, somebody has to pay a higher price. I am assuming that it is not that England pays more, but that in India prices generally are higher. That would be a case where every consumer would pay more?—Yes.

9313. And every seller would receive more?—Yes.

9314. But, so far as there may be a difference of interest between the seller and the purchaser, there would be an unequal distribution?—To a certain extent there would, yes. The poorer classes in India are producers more than consumers.

9315. You say, "for the internal trader to buy gold in "order to get it exchanged into rupees at 1*s.* $4\frac{1}{16}$*d.*, "presupposes that he already has the rupees, and there- "fore, however great the scarcity, the operation would "be a senseless one for him." Would not the producer be in the same position for obtaining gold under the present system as he would have been for obtaining silver under open mints? Has he not in each case to part with his produce or goods, whatever they may be?—Yes; but I was answering the question which has been frequently put, and I think it was put here this afternoon. Why does not a trader in the country take gold to the mints and get silver for it? My answer to that is that no internal trader has any interest in so taking it; he would have to buy gold to take it to the mint, and to buy gold means that he must have the rupees, and he would be just where he was before. He would only buy gold to take it to the mint, if there was some profit, that is, if the price in the market was less than the mint price, whereas it has always been more.

9316. In any case the silver or the gold would come in as the result of trade?—There is no silver now received at the mint.

9317. But silver under open mints, or gold on a gold basis, would in either case, come into the country for circulation through the immediate agency of foreign trade, and the internal trader would obtain command of gold or silver by selling his produce?—Yes, but he might not sell it for foreign trade, he might sell it to somebody in the interior of the country.

9318. Still, in that case, he would be paid?—He would be paid, yes, but in silver rupees, the only legal tender money. If gold was also made legal tender money, he would be paid in whichever was cheapest in the market. I was thinking of that particular question that has been asked so often: Why is it that gold is not taken to the mints, and rupees got in exchange for it? It is said: How is it possible that money is dear, when people could get it on paying gold for it at the rate of 1*s.* 4*d.* the rupee? My answer to that is that it is to no one's interest to pay gold at the rate of 1*s.* 4*d.* the rupee.

9319. Is that owing to the apprehension that exchange will fall?—It is not so much apprehension; it is a matter of market price. As long as they can get $15\frac{1}{4}$ rupees in the market, they will not give sovereigns to Government at the rate of 15 rupees.

9320. But a person who has anything to sell can obtain either rupees or gold?—Oh, yes; if he wanted it. He would first sell for silver rupees, the currency of the country. If he wanted gold, he would have to pay the market price for it. He would not in that case take the gold to the mint.

9321. I think, as to prices, you preferred not to discuss the Government tables?—I said that I had tried to go into the matter of prices, but I found, through the many circumstances connected with different articles, I could not draw any inference.

9322. This diagram exhibits the aggregate of all prices; it would point to the level of prices up to a recent date as being about the same as that in other times of scarcity. Now, just so far as that is a sufficient representation of the facts, it would point to prices not having yet been lowered by the existing policy?—No, they have not been lowered.

9323. That is going so far as one can infer at all; of course there may be other explanations?—Yes; it may be too soon perhaps to judge—the existing policy only began to tell in 1897.

9324. What evidence do you consider there is that low exchange in the past did increase exports on the average?—I think, as a matter of fact, there was a great increase of trade after each of the great falls. The first great fall was in 1876–77. It was followed by a large increase of trade in 1879 and several succeeding years. The next great fall was in 1885–86 and 1886–87. Again a great increase of trade in 1888–89 and 1889–90 followed. Then came another fall in 1892–93, and again a rapid increase of trade in 1894–95 and 1895–96. The check came in 1896–97, but how far this was owing to plague and famine, and how far to money stringency, it is impossible to say.

9325. There may have been other causes that bore upon that?—There may have been other causes. There was very little movement before the great fall; then it increased very rapidly, according to the figures here.

9326. There may have been other reasons, such as the construction of railways and the development of the country?—Oh! yes; and, on the other hand, a point I made was that, if there had not been this fall of exchange, if silver had remained the same, there would have been a fall in commodities similar to what there was in gold countries, and, therefore, that would have been a great loss to the country; the country would have suffered from the general fall of prices.

9327. In the way of not obtaining the same amount of rupees?—There would have been a general fall of prices, and we know that, when there is a general fall of prices, it creates a great deal of distress in all quarters.

9328. During the American Civil War, there was a great increase in the paper currency of the United States and a corresponding rise in prices?—Yes.

9329. Should you say that the rise of prices during that period contributed to a larger export trade and a larger business generally?—Well, I have not any knowledge of the subject. I have never looked into that matter, and I would not like to venture an opinion.

9330. As a principle, you would think that high prices, due to the currency, would contribute to a permanent development of trade?—I think so. An ample supply of currency must surely help to stimulate production.

9331. A distinction might be drawn between high prices in India that arise merely from the expansion of currency, from a larger amount of silver being brought in and coined, and high prices arising from higher sterling values in markets abroad?—Oh, yes, the two causes would be quite distinct.

9332. A rise of prices from an expansion of currency would not affect the country's position abroad. As you say in your note, India, as a whole, would be in the same position?—It would stimulate her productions.

9333. So far as production was increased, and sterling price was not lowered, that would affect her position, but that is all?—That is all.

9334. That is the measure of it?—That is the measure of it, I think.

The witness withdrew.

Adjourned.

Note subsequently handed in by Witness.

I desire to add a few brief remarks on important points which were not touched upon in my examination. The questions put to me referred mostly to the past, and the evidence which I gave was directed towards showing that no sufficient case had been made out for closing the mints in 1893, and that the results had not been fortunate. With reference to the future, I have expressed the view that the only question of currency is the contraction of the currency, and, provided that some plan can be devised for relieving any pressure which, as the active season advances, may bear upon the money market, the question of open or closed mints may remain a little longer in abeyance. In the first place, I think that the full effects of the closing of the mints may not have had time to show themselves; and, in the second, that any new changes of an experimental character should only be entered upon after very full and critical examination. Mr. Lindsay's scheme has deservedly received much attention and is supported by many authorities. My opinion is that the elasticity allowed in it is insufficient; that the convertibility provided for involves much greater risk and responsibility than is contemplated; and that the principle underlying it, namely, that the rate of exchange, and not the rate of discount, is the test of deficiency or redundancy of the currency, is wrong and mischievous. I hold that, while exchange may be the measure of the requirements of the foreign trade, that of the internal trade is the rate of discount, and consequently that the scheme makes no adequate provision for the currency wants of the country. There are great practical difficulties to contend with—the great existing silver circulation, the large sterling obligations, the seasonal character of the trade, and the risk of an adverse trade balance. Considering all these, it seems almost impossible to reconcile the necessities of the country, in the way of a free and elastic currency, with the limitation necessary to maintain the nominal par of a gold standard.

There is the alternative of a gold currency. I take it that the essential conditions of a gold currency are, first, that it must be accompanied by an abundance of silver token coinage according to the utmost requirements of the trade and the people, and second, that convertibility of it with the standard must be at all times and under all circumstances assured. The first difficulty is to get a sufficient gold stock on which to declare convertibility, and the second is to retain that stock when once convertibility has been declared. The cost of creating and keeping a gold stock (which, except as so far as it represented paper in circulation, would be wastefully idle) would be a crushing addition to the burdens of the country, while recent history is full of warnings that only the most favourable circumstances can ensure the retention of the stock.

There remains the plan of reversal and the opening of the mints. Before 1893, India had a free and automatic currency, suitable for the habits of the people and the character of the trade, fairly steady as a standard of value, and under which the country prospered. Why not revert to it? The sterling obligations are no doubt unfortunate, but there they are, and they must be met. It cannot in any way mitigate or modify them to give the rupee a local and fictitious value, which has no recognition on the part of the creditor, and which is forced by a contraction which only hampers the trade and checks the development of the resources out of which alone the obligations must be paid. My belief is that all schemes which are not in full harmony with the special conditions of India, or not backed by sound and accepted principles, are doomed to disappointment, and that a return to open mints is not only the most safe and prudent course, but the one which in the long run will be found inevitable.

DONALD GRAHAM.

TWENTY-FIRST DAY.

Wednesday, 16th November 1898.

PRESENT:

SIR FRANCIS MOWATT, K.C.B. (in the Chair).

SIR JOHN MUIR, Bart.
SIR C. CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. D. Cruickshank.

16 Nov. 1898.

MR. DAVID CRUICKSHANK, called and examined.

9335. (*Sir F. Mowatt.*) Will you state your name and position?—I am a member of the firm of Messrs. Begg, Dunlop, and Company, merchants and agents in Calcutta and London, and especially interested in indigo and tea.

9336. You are Chairman of the new Indigo Association?—Yes, they have elected me President.

9337. Were you opposed to the closing of the Indian mints in 1893?—I expressed no opinion upon it in 1893, but I was opposed to it before, when my opinion was asked on the subject by the Government.

9338. When you say before, do you mean shortly before, or at what previous period?—There was a proposal to establish a gold standard in 1886, put forward by General Strachey. At that time my views were asked by the Government, and I recorded a minute on the subject, in which I was opposed to the closing of the mints.

9339. Was that on the general ground that it would amount to a check on the export trade?—Yes, owing to the divergence which would have been created between the value of the rupee and the value of silver, and the effect of that on the export trade of India.

9340. Your view being that the rupee should exactly correspond with the market price of silver at the time?—The effect of giving an artificial value to the rupee, in my opinion, operates to the disadvantage of the export trade of India.

9341. Your view was that no artificial value should be given to the rupee at all, that it should find its level with the price of silver. May I take it that that was the main ground of your opposition, or were there other reasons then, or are there reasons of which you feel the force now?—What I said at the time in the minute which I recorded was: "Generally, the "adoption of General Strachey's proposals would "have a prejudicial effect on Indian exports, which "it should be the object of the Government to "encourage by every possible means, so as to increase "the balance of trade in favour of this country" (that is India) "and thus lead to a greater demand for "silver." That of course was in connexion with the fact that at that time the price of silver regulated exchange more or less.

9342. I take it that you still entertain those views now: nothing has happened since to alter your opinion?—As regards the effect of the artificial rise in the value of the rupee upon the export trade, certainly my views are not changed.

9343. Taking the trade in which, I think, you are more directly interested, that of tea, will you state what injurious effects have been, in your opinion, produced on that trade by the closure of the mints in 1893?—In the case of tea, sterling prices being settled by means of supply and demand, and taking the sterling value of a pound of tea at 9*d.*, the equivalent of this at 1*s.* 0½*d.* per rupee (being the lowest point to which exchange fell) would be 9 annas 11 pies. At the exchange at 1*s.* 4*d.*, the equivalent would be 7 annas 9 pies, showing a difference against the planter of 2 annas 2 pies, or about 22 per cent., if he sells his tea in Calcutta.

9344. That is really the price you consider the tea trade pays for the closing of the mints?—Certainly, if exchange had remained at the lowest point to which it fell, 1*s.* 0½*d.*

9345. At what point, subsequent to 1893, did the trade begin to feel the effect of that? How soon after 1893?—When exchange rose. Exchange first rose materially in 1896. The lowest point in 1895—at least the average for the Secretary of State's Bills, in 1895—was 1*s.* 1·64*d.*, and in 1896, 1*s.* 2·45*d.* Of course, any rise in exchange affects the rupee price of tea.

9346. What effect had that upon the profits of the tea trade? They continued very considerable through 1896, did they not? The trade was doing very well?—The profits of 1897 were affected by the lower prices.

9347. Has the extension of cultivation in India been checked by a falling off in the profits on tea?—Certainly it is being checked.

9348. The pinch began to be felt in 1896?—It is being felt now worse than ever. It is well known that extensions have been largely stopped wherever it was possible to do so, and the strongest evidence of this is seen in the fact that tea-seed has become practically unsaleable, which it is at the present moment.

9349. You cite that as showing that there is no disposition to extend the gardens now?—Just so.

9350. You said, I think, that tea depended a great deal upon the ordinary law of supply and demand?—Sterling prices.

9351. Sterling prices have somewhat fallen, have they not?—They have fallen during this present year. The average price of Indian tea sold in London for the year 1897 was 9*d.* per lb. The average price of Indian tea sold in 1898, up to the present time, is 8·68*d.* per lb.

9352. How far do you consider that that has been affected by the supply being greater than the demand?—The supply has affected the prices of tea, but the fall in prices led to an increased consumption, which has enabled the increased output to be taken off. As a matter of fact, at the present moment the position of tea is statistically better than it has been for some time.

9353. What do you mean by "statistically better"?—That is as regards stocks.

9354. The stocks in London now in hand are smaller?—The stocks in hand are smaller than they were this time last year.

9355. Should you say that that fall in price has at all been caused by the supply of tea being greater than the demand for it in the markets which are now open to the tea trade?—The increased output of tea has only been taken off by lowering prices, but at the reduced price the increase has gone into consumption.

9356. Now would you state what you consider the direct effect of a high exchange on the tea-growing industry of India, apart from the sterling price of tea in the London market? How does it affect your profits?—It reduces our profits.

9357. It reduces your profits in what way?—Of course, the prices of tea in rupees are governed by the sterling prices. In reply to a previous question I said, if you take the value of a pound of tea at 9*d.*, which was the average price of tea in London last year, the equivalent of that at 1*s.* 0½*d.* would be 9 annas 11 pies, and at 1*s.* 4*d.* the equivalent would be 7 annas 9 pies, showing a difference of 2 annas 2 pies against the planter; that is to say, he gets less in rupees than he would at the lower exchange.

9358. The cost of producing the tea is unaffected?—The cost is unaffected.

9359. As regards indigo, is that affected in exactly the same way?—Yes, in a similar way. Taking the sterling price of indigo at 4*s.* per lb., the equivalent of this at an exchange of 1*s.* 0½*d.* would be 250 rupees per maund. At the exchange of 1*s.* 4*d.*, the equivalent would be 195 rupees per maund, showing a difference against the planter of 55 rupees per maund, or about 22 per cent., and representing on the present season's crop of Bengal, Behar, and North-West indigo a loss of Rx. 6.82.000.

9360. What effect has that had on the indigo trade as regards the amount of its output? Has it begun to check it?—It will now. The effect of low prices on the production of indigo is shown by the following extract from a London broker's circular, dated 4th October 1898:—"The final estimates of the crop "from Calcutta give the very moderate total of "maunds 124,000, or about maunds 13,000 below the "average of the last ten years. The very small out-"turn in Benares and Doab is largely due to decreased "cultivation, on account of unremunerative prices, "and, should the coming Calcutta season show no im-"provement on the rates ruling in July, we have no "doubt that a considerably smaller area will be sown "next season in Lower Bengal and Behar. From "Madras we hear of the same complaint, that present "prices do not pay the cultivator, and that the area "under indigo has consequently been reduced, and "the crop is likely to be a very small one."

9361. Who are our competitors with India in indigo?—Java is a competitor, and indigo comes from Guatemala also.

9362. When you say it does not pay the producer, is it the competition from outside that you refer to?—One thing that is affecting indigo at the present moment is an artificial dye made in Germany, which, it is possible, may be developed into something that will materially affect the consumption of indigo.

9363. And that is sold at a lower price?—It is not sold at a lower price at present, but we do not know whether they may not be able to produce it at a lower price.

9364. That is a consideration quite apart from the rate of exchange or the profits of the trade, is it not? I mean, if indigo were supplanted by some invention, it would not very much matter, unless you thought you could undersell it, whether the exchange were high or low in India?—Of course it is hoped that we should be able to undersell it; but, as a high exchange operates against indigo, it handicaps India in its competition with this artificial dye.

9365. So far as price goes; but if the dye supersedes it because it is in other respects better —— ?—It is a matter of price.

9366. But it is the fear of that that you refer to?—No, it is a matter of price.

9367. What relation do you consider existed between the volume of the currency and the rates of discount in India, before the mints were closed? Did the fact that the volume of currency was larger than at present affect the discount rates?—It cheapened money. The more abundant money is, the cheaper it will be, naturally.

9368. Do you distinguish generally between currency and loanable capital?—Capital to be available for trade purposes must exist in the form of currency, and, if money is dear, that is a sure sign of scarcity.

9369. Of scarcity of currency?—Yes.

9370. But may I put what I mean in this way? I understood you to say that there were not enough rupees, for instance, in this last busy season, to carry on the trade of the country?—There was stringency.

9371. But any person producing gold to the Government could have claimed from them rupees at the rate of 15 to the sovereign?—He could have done so.

9372. And they would have been bound to produce it, even if they had to coin more rupees?—Quite so. But the price of gold as fixed by Government was too low.

9373. If there had been loanable capital, if there had been gold, or if there had been securities which would have produced gold, that could have been made to reappear as rupees. So that there is a distinction, is there not, between the loanable capital that could have been made into currency, and the currency itself?—But you would have to attract gold to the country, and you can only do that if you make it profitable to import it in the shape of currency.

9374. Now, as regards the stringency on that occasion, did it extend, do you think, to the internal trade of India generally, or merely to the external trade with other countries?—It extended to the interior. In the course of correspondence with Calcutta, I have got the following information with regard to stringency in the Mofussil, that is to say, in the interior. In a letter dated Calcutta, 18 August 1898, my correspondent writes: "You ask, cannot we "from November next get our indigo constituents "to draw drafts at 90 d/s. to tide over the worst "period of stringency?" (The stringency hitherto has been greatest in about December, January, and February.) "Now the position is much worse in the "Mofussil than in Calcutta, with the result that "many indigo concerns this present season have been "quite unable to cash their drafts at 60 d/s., and "some not even at 30 d/s., and we have been obliged "to a certain extent to remit outlays in currency "notes. The present currency policy can only in-"crease this difficulty, and I fear it would be quite "impossible for us to get concerns to draw at the "usance you name." In a letter dated Calcutta, 29th September 1898, it is stated: "It is well nigh "impossible to get reliable statistics in reference to "India's vast internal trade. That there is great "dearth of loanable capital in the hands of native "bankers, who were formerly rich and ready to lend "largely, there is no doubt. Take a place we know "well, like ——, the local bankers there, such as the "—— and others, are practically insolvent, and "——, ——, ——, and others tell me there is "literally no money there for trade purposes. In "Cawnpore, too, we know money was most stringent "during the first six months of the year. But it is "generally believed the stringency in India would have "been greater but for the help of illicit coinage." Then in a letter dated Cawnpore, April 1898, there is this passage referring to the working of a factory ——

9375. Are these from your own correspondents?—Yes. "The result will not be as satisfactory as it "should have been, owing to factors entirely outside "the working of the factory or our control, viz., "exchange at 1*s.* 4*d.*, scarcity of money in the bazaar; "high rates of interest (15 per cent. and over), and "the paralysis in the trade caused by the failure of "some big native firms. To give you some idea of "the position, a Rajputana dealer, to whom anyone

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"in the trade would have given credit last year, came "to our brokers for 500 bags fine grain, and they "would not undertake that his account was safe." This refers to the position in the interior.

9376. Those are letters addressed to your firm by your own correspondents?—They are addressed to me, personally.

9377. Do you anticipate that this present season will show as great a stringency as last year?—That is generally expected.

9378. Or even greater? We have had opinions both ways?—Well, it is expected in Calcutta that there will be stringency again this year; to what extent it is difficult to say.

9379. But it is rather important, is it not, whether it will be the same as last year, or whether there are other factors which are likely to reduce it?—I should say it would be quite as bad as last year, unless other factors come into operation which either lessen the demand for money or increase the available supply for it.

9380. There have been cases, have there not, of almost equally severe stringency in India before the mints were closed?—The bank of Bengal average rate for half-year to 30th June 1898 was 11·016 per cent., being the highest for over 30 years, the previous highest having been in the half year to 30th June 1866, when there was a monetary crisis at the time of the failure of the old Agra Bank.

9381. But I find, according to a table we have here, that in 1889, and again in 1890, it touched 12 per cent.?—For a short period.

9382. As we have it in the return furnished to us, it touched 12 per cent. in 1874, 1889, and 1890; and 10 per cent. in 1894 and 1897?—I have got the whole returns here since 1854. I, of course, am dealing with the average rate for the half-year, not with the maximum or minimum rates.

9383. Do you regard stability of exchange as of great importance to the trade in India?—Yes, I think it is desirable to have a stable exchange, so long as it is not fixed at too high a rate.

9384. Do you think it is the distrust in the future of exchange that has driven the capital of the banks, and of individuals, out of India?—I think so.

9385 You have said, I think, generally, that you object to the present proposals of the Indian Government. Do you object generally to the principle of a gold standard for India?—Not at the rate at which a gold standard can be maintained without prejudice to the interests of India as an exporting country.

9386. Then it is the rate at which it is fixed that you consider important, and you do not object to the general principle of a gold standard for India?—No. The conclusions to which I have been led by the consideration I have been able to give to the matter are:—(1) That in the position in which India stands as a debtor country, with large sterling liabilities which can only be liquidated in produce, the dominant factor in Exchange is the export trade, and (2) that no scheme for the establishment of a gold standard or gold currency can succeed, if the measures adopted for that purpose have the effect of disturbing the balance of trade in favour of India. It follows that no undue burden should be placed on the products of the country, whereas the effect of the present currency policy of the Government of India, and of the further proposals put forward, is to impose indirectly a heavy tax upon exports and to increase the cost of production by raising the value of money. The result of this policy must be to hamper India in its competition with other countries, and may eventually lead to the balance of trade being turned against her, when any scheme for establishing a gold currency must necessarily collapse, and Government would be obliged then to have recourse to the additional direct taxation which they are now anxious to avoid. With quicker means of communication and greater facilities for transport all over the world, the competition for the supply of commodities becomes keener, and the advantage in the contest must lie with the country in which the cost of production is lowest. Up to the time of the closing of the mints, India competed on a par with other silver countries, but the artificial rise in the value of the rupee operates to her prejudice and must affect her export trade. It is contended, as a reason for adhering to an exchange of 1*s.* 4*d.*, that prices have adjusted themselves to that rate (Mr. Arthur, 2033), and it is stated that trade will adjust itself to any rate (Mr. Finlay, 3039), rupee prices falling as exchange rises (Mr. Finlay, 2640, 2696, 2702). It is quite true that prices will adjust themselves to any rate of exchange, and, if this was the only point to be considered, there is no reason why 1*s.* 6*d.*, 1*s.* 9*d.*, or 2*s.* should not have been fixed upon instead of 1*s.* 4*d.*; but, in their despatch dated the 16th September 1897, the Government of India recognise the probable disastrous effects of a great rise in exchange on the export trade and industries of India, and give it as their opinion "that the true interests of India demand that any "measures for attaining stability in the rate of "exchange between gold and silver should be based "upon a rate not greatly differing from 16*d.* the "rupee, and that any measure which would raise the "rupee materially higher than that level involves "great dangers," for which they could see "no "adequate compensations." The same objections must, however, be held to apply to the rate of 1*s.* 4*d.*, if such rate is higher than that required by the conditions of trade. And the difference between what may be termed the natural rate and the artificial one must operate to the prejudice of producers. Mr. Finlay admits (3257) that the material point as regards the Government and the country is that there should be a sufficiency of exports to meet their requirements abroad, and he relies (2696, 2698, 3045) upon the balance of trade being maintained through a fall in rupee prices, resulting from the contraction of the currency and a rise in Exchange. The extent to which a fall in prices is possible must, however, depend upon the cost of production. As soon as an article ceases to pay, its production will diminish, and the exports of same fall off, or stop altogether. In this connexion, the following remarks by the Government of India, in their despatch dated the 16th September 1897, deserve very careful consideration:—"Pressed "as we have been for many years by the difficulty of "finding the continually increasing number of rupees "requisite to discharge our sterling liabilities, we are "apt to look too exclusively at the effect which a rise "of Exchange would have in diminishing the burden "of that demand upon us. We do not deny that a "large surplus of revenue will arise from so great "an improvement in Exchange; but it is not to be "forgotten that there are many respects in which "our revenue account must directly suffer by a rise "in the Exchange value of the rupee, and that these "considerations ought to greatly influence our estimate "of the benefit to our revenue account, which is almost "the sole advantage which, as a Government, we can "expect to obtain from the proposed measures. The "anticipated fall in prices is one that will adversely "affect both our revenues and the general condition of "the agricultural classes in the country. To take the "case of our land revenue, a very large portion of the "country has passed under land revenue settlement "during the last 10 or 15 years. One of the factors "in fixing the demand of the Government for revenue "is the price of agricultural produce; if that price "falls away, the heavier the demand becomes; and, if "it falls away materially, the relation between the "price that the ryot can obtain for his produce and "the assessment he has to meet may be so seriously "altered as to affect the agricultural prosperity of "large tracts of country. The work of resettlement "is a tedious one, it cannot be effected in all proba-"bility for some years, and, when it is effected, it will "*pro tanto* dissipate much of the advantage which "the rise of Exchange would bring to the Govern-"ment account. So, also, as regards our railway "revenues, which are now so important a portion of "our income. They are in part directly dependent

" upon the activity of the export trade, and a blow " struck at that trade will be felt by us immediately " and directly through our railway account."

Although the importance of the export trade as enabling India to meet its foreign obligations, adding both to the land and railway revenues of the country and improving the general condition of the agricultural classes, is thus fully recognised, the Government have put forward proposals which, by adding to the cost of production and lowering prices, will have the effect of diminishing their own revenues and imposing a heavy burden upon producers generally. As showing the effect on prices, I want to quote what is said in the " Review of the Trade of India in 1897–98 ", which I only got yesterday. The author writes as regards exports:—" The general " causes which restricted the export trade have " been already mentioned. The largest decrease is " in raw cotton, the exports of which to Europe fell " away greatly under the competition of American " cotton, which was exceptionally cheap and abun- " dant. Opium and indigo show large decreases both " in quantity and price. The decreased values of " raw jute and tea are entirely due to a fall in " prices, the quantities exported being unprecedentedly " large. The trade in cotton piece-goods was de- " pressed, the exports to China showing a great " falling off, and the exports of sugar declined to a " very low level. On the other hand, large increases " are recorded under hides and skins, jute manufac- " tures, and timber, the trade in which was very " active, and there was an improvement in seeds, wool, " and oils, which, in the case of the first-named, is " still more marked in the present year. There was " but a slight increase in food grains, but during the " first quarter of this year the trade in rice and wheat " was very active, the exports of the latter during " that period amounting to 566,138 tons, value " Rx. 6,055,308." Of course the large exports of wheat in the present year are owing to the increase in sterling price.

9387. Would your objection to a gold standard, at 16*d.* the rupee, apply equally to a rupee at a somewhat lower price?—Not equally. Regarding the proposals for the establishment of a gold standard—these, while differing in some points, are all based upon a rate of 1*s.* 4*d.*, and are open to the objection which I have indicated in regard to the Government scheme, viz.:—that they do not take into account the effect on trade of the measures required to maintain the rate proposed, and the danger that the result may be to turn the balance of trade against India, when any scheme adopted would necessarily collapse. The best known of the schemes proposed is that associated with the name of Mr. Lindsay, to which other obvious objections have been put forward: that it would involve the Government of India in an indefinite liability to give gold in exchange for rupees; that it would entail continued interference by Government with the currency, which is undesirable; that it would also necessitate the withdrawal from use, and the locking up, of a large amount of gold, which might affect sterling prices to the disadvantage of India, and would add to the sterling obligations of the country. I have already stated that I believe no scheme for the establishment of a gold standard on the basis of the rate of 1*s.* 4*d.* per rupee will succeed; and, if a lower rate approximating to the natural level of Exchange required by trade conditions is fixed upon, I do not see that any special measures, such as those suggested by Mr. Lindsay and others, would be required to maintain the same.

9388. Were you there contemplating a 10*d.* rupee?—No.

9389. What then?—1*s.* 4*d.*

9390. But you say, " were a lower rate fixed "?—I was going on to that. The difficulty arises in fixing upon the rate which, it may be expected, would be maintained by the conditions of trade. An indication of this might have been got if the value of the rupee had not been affected by the closing of the mints, as it has been apparent that, while the fall in the value of the rupee in relation to gold has been beneficial to India, by maintaining the rupee values of produce in the face of the fall which has taken place in sterling prices, and by enabling its exports to compete advantageously with the productions of countries using a gold standard, this benefit must have a limit, which would be reached when the purchasing power of the rupee fell, or, in other words, when a general rise took place in the prices of Indian commodities. Up to the time of the closing of the mints there is no decided evidence, so far as I can judge, of any material rise in the rupee values of the principal articles of export ——

9391. Do you say prior to the closing of the mints?—Up to the time of the closing of the mints,—which would indicate that this point had been reached. With regard to prices, Mr. O'Conor states (850): " In " the case of articles which are chiefly intended for " export, prices have not risen in all cases; in some " cases they have remained stationary or fallen. The " tendency is to follow gold prices." He goes on to add: " The prices I refer to as having risen are prices " of ordinary food grains, which do not enter really " into the export trade.' Sir A. P. MacDonnell in his evidence states (5721, 5722): " From 1860 to 1873, " about the time when the currency depreciated, there " was considerable oscillation in prices; from 1873 " until 1885 there was less oscillation. The tendency " was generally upwards, but the variations were " marked. Prices steadied from 1885 till the mints " were closed in 1893. There was a great stability " in prices with a tendency upwards." Further on (5774) Sir A. P. MacDonnell states: " Apart from the " dislocation caused by the famine and bad seasons, " the purchasing power of the rupee has remained " pretty steady. There have been local variations of " course, owing to scarcity and so on, but, apart from " these, the purchasing power of the rupee has " remained steady from the middle of 1886 to the " middle of 1893." The explanation in regard to a rise in prices in some parts of the interior of the country, is, no doubt, that the extension of railways and improved means of communication have tended to equalize prices by raising them in districts in which, owing to previous want of access to central markets, commodities were cheap, and this is brought out in Sir A. P. MacDonnell's replies to Questions 5812, 5813, 5814. Assuming, then, that the purchasing power of the rupee had not fallen up to the time of the closing of the mints, or, in other words, that the rupee had not depreciated in value in relation to commodities in India, the limit of the benefit resulting from the fall in its value in relation to gold had not been reached up to that time. I should have expected, if exchange had remained at about the lowest point to which it fell in 1894, say, between 1*s.* and 1*s.* 1*d.*, that the tendency would have been for the purchasing power of the rupee to fall, and, assuming this to be the case, the natural level of Exchange required by conditions of trade would approximate to that point. The nearer the rate fixed upon approached that point, the greater the probability that the scheme for the establishment of a gold standard would be successful. Having regard, however, to the benefit which would result from a comparatively stable Exchange in the influx of capital for industrial purposes and in cheaper money, it may be expected that the trade of the country could stand a somewhat higher rate of Exchange, and, in suggesting a modification of the present currency scheme of the Government, I should be in favour of adopting the rate of 1*s.* 2*d.* in place of 1*s.* 4*d.* If 1*s.* 2*d.* is fixed upon, there are, I think, reasonable grounds for believing that the rate could be maintained by the conditions of trade without any special measures being necessary for the acquisition of gold, which, under the system of giving rupees in exchange for same, would gradually accumulate in the hands of Government as the requirements of trade necessitated expansion of the currency. It is generally recognised that a gold currency is not required for India at present,

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and it would rest with Government, as gold accumulated in exchange for rupees, to decide whether, and when, it might be desirable to adopt it.

9392. Have you any opinion as to the convertibility of the rupee into gold otherwise than, as now, through Exchange?—I do not quite follow that.

9393. Should you hold that the rupee, at whatever rate was fixed, should be convertible into gold absolutely? Do you contemplate the rupee and gold being absolutely convertible in all cases, if the gold standard were introduced?—No, not until it was desired to make the gold currency effective. I think it would be sufficient in the meantime if the Government undertook to give rupees for gold.

9394. Failing some modification of the Indian Government's proposals, you would reopen the mint to silver?—I think that would be better than continuing the present condition of affairs.

9395. And better than a gold standard with a 1*s.* 2*d.* rupee?—I do not say that. My suggestion is to take 1*s.* 2*d.* and endeavour to introduce a gold standard, as the best way, in my opinion, out of the present difficulty.

9396. How would you propose that the Government of India should meet the difficulty of its gold payments in England under those circumstances; have you contemplated any increase of taxation?—That might be necessary, or it might not be. Taking the financial position of India for the last six years; I note that in the two years in which the exchange was lowest—below 1*s.* 2*d.*—there was a surplus; in the other four years there was a deficiency, although the exchange was higher, which would indicate that the revenues of the country would expand with a low exchange.

9397. You would contemplate that a rupee at 1*s.* 2*d.* and a gold standard would so increase the export trade of the country that additional taxation would not become necessary, unless as a temporary measure?—The revenues would increase by expansion of trade. Whether that would be sufficient to meet at present all the sterling obligations of the Government, it is difficult to say. There might be necessity for some additional taxation, which might take the form of increasing the import duties.

9398. You are of opinion that that is the best method of increasing taxation?—I have not gone into the question, but I should think the imports might stand additional taxation.

9399 But you would not advocate an export duty?—Certainly not. I am altogether opposed to duties on exports.

9400. Is there anything you would like to add?—I should like to refer to the effect of the rise in Exchange upon imports. While the currency policy of the Government is shown to be prejudicial to the interests of Indian producers, and likely to affect in consequence the revenues of the country, the artificial rise in Exchange operates in favour of foreign manufacturers, and, by stimulating the importation of manufactured goods, tends to injure Indian industries, and to check new enterprises which would help to develop the country and increase its capacity for exporting. The principal article of merchandise imported into India is cotton goods, and, while the manufacturers of same have been favoured by the rise in Exchange, they have also had the advantages of the low prices ruling for raw cotton during the last five years. A reference appeared in one of the daily papers last week to the unprecedented cheapness of raw cotton at the present time, and, in explanation of same, it was stated that an exhaustive report furnished by bankers in the Southern States of America estimates that in most sections the cost of production is only about one half what it was ten years ago, the current price—five cents a pound at port of loading—yielding, consequently, about the same profit as double the price did a decade back. European manufacturers of cotton goods have, therefore, a double advantage, in the unprecedentedly low price of raw cotton, and the artificial rise in Exchange. An article the imports of which into India have been stimulated and largely increased by the rise in Exchange, is beet sugar. The following statement shows the extent of the increase:—Extract from Trade and Navigation accounts of British India for the month of March 1898, and the twelve months, 1st April 1897 to 31st March 1898:—

IMPORTS—FOREIGN TRADE.

Sugar—Refined and Crystallised.

	Month of March.			Twelve Months, 1st April to 31st March.		
	1896.	1897.	1898.	1895–96.	1896–97.	1897–98.
	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.
Austria-Hungary	1,626	39,710	176,902	4,934	115,514	954,745
Germany	12,878	90,581	164,234	718,218	758,806	1,203,309
Mauritius	163,684	211,011	151,181	1,366,733	1,366,733	1,406,047
China	30,257	11,211	27,479	206,049	139,210	291,175
Java	—	—	—	109,998	97,458	140,485
Straits Settlements	7,834	11,054	9,612	107,743	63,332	74,357
Other countries	708	3,723	9,087	11,209	19,203	174,276
Total	216,987	367,290	538,495	2,524,974	2,682,463	4,235,394

Average rate of Exchange for Secretary of State's bills, - - 1*s.* 1·64*d.*, 1*s.* 2·45*d.*, 1*s.* 3·35*d.*

It will be observed that the imports from Austria-Hungary and Germany have increased three-fold during the past three years. In the Review of the Trade of India for 1897–98 the following reference to this matter is made:—"The increase in the importa-" tions of sugar is one of the most noticeable features " in the import trade of the year. The quantity " imported is 61 per cent. greater than in 1896–97, " and the value is higher by Rx. 1,632,650. The " first place is still held by Mauritius, but, whereas " the importation of 1,666,845 cwts. in 1896–7 was " 58 per cent. of the whole trade, last year its share " was reduced to 38 per cent., with an import of " 1,778,016 cwts. There is an increase from all the " sources of supply, but the bounty-fed beet sugar " from Austria-Hungary and Germany has flooded " the market. These countries have been forced to " find an outlet for their sugar in the markets of the " East, by reason of the closing of the United States " market by the Dingley tariff, which imposed a " countervailing duty equal to the export bounty, and " the competition of France in the English market " due to an enhanced export bounty on French " sugar." In connexion with this matter, a note on the effects of the unrestricted importation of bounty-fed sugar on the sugar-cane industry of India was submitted some months ago by the Bengal Chamber of Commerce to the Government of India, and the following extracts from same are of interest——

9401. That is raising the question of bounty-fed sugar, and the best way of meeting it; I do not know that we need go into that?—It is the effect of the

rise in Exchange in stimulating the import of bounty-fed sugar, because the imports have increased so enormously since the rise in Exchange took place.

9402. Very well, will you read the note to us?—"Broadly speaking, the sugar industry has passed "through two phases, and has entered upon a third. "India was a sugar-exporting country at the begin- "ning of the century. It became, in the course of "years, a self-supplying country, more or less stripped "of its exports. It is now fast taking the position "of an importing country. The causes which led to "the restriction of exports are explained in historical "accounts already in the possession of the Government "of India, and are summed up in State Blue Books "and in the Imperial Dictionary of Economic Pro- "ducts. Imports, when this last was written, had "already begun to take the place of exports. And "'they were drawn,' writes the editor, 'from the "'very countries which were formerly the chief con- "'sumers of our exports.' But at that period—about "1890—the effect on the price of sugar in India and "on home consumption had not become alarming. "'So far,' Dr. Watt remarks, 'it may be safely "'affirmed that the loss of the markets to which India "'formerly exported sugar, and the creation of a "'foreign supply, have not told injuriously upon the "'production of sugar in India, notwithstanding that "'already India imports 3 cwts. for every cwt. "'exported.' But the prospects of the future were "regarded with great apprehension. 'If,' continues "the article, 'the Colonial sugar manufacturers were "'to produce an article competing in price with even "'more expensive qualities of *gur*, the import trade "'would at once become of graver moment than it "'has yet assumed.' That this critical period has "been reached is the main fact which the present note "is intended to illustrate. That the foreign bounty "system benefits Great Britain is well understood. "It assists materially in the provision of a cheap "breakfast table, and the whole population gains. But "in India, a sugar producing country, its effects are "more complicated, and very different; consumers (of "refined sugar), as in Great Britain, are, of course, "*pro tanto* equally benefited, but these do not, as in "Great Britain—and this is an important point—re- "present the whole community. On the other hand the "State, which does represent the whole community, "must, as well as a very large section of the agricul- "tural population, be very injuriously affected. For "the importation of cheap sugar from abroad means "the diminution of sugar production in India, and that "means, as will be shown, the lessening of the ability "of the cultivator to pay rent, of the proprietor to pay "land revenue, of the canal system to realise its rightful "income, and of the manufacturer to compete against "the foreigner. It means, in short, a future necessity "to impose fresh taxes as a set-off against the curtail- "ment of land and water revenue, and this seems to be "the ultimate calamity which has to be averted. The "importance of cane cultivation in the agricultural "scheme of almost every province in India is, perhaps, "hardly appreciated, except by those officials whose "duties have brought them into association with the "settlement of land revenue. The remark may be "found in many a settlement report that in such and "such tracts the entire rent, and therefore the entire "revenue, is paid from the cane field. 'The peasants "say,' writes the Settlement Officer of Bareilly, 'that "'sugar cane is to other tillage as the elephant to "'other beasts.' In almost every settlement report "and district gazetteer of the Punjab, of the North- "Western Provinces, and of Oudh, the extremely "important position held by sugar cane in maintaining "agricultural prosperity is prominently noticed, as the "extracts quoted below sufficiently indicate. While "the cultivator, the landlord, the land revenue, and "the canal revenue, will thus be affected, the manu- "facturing interests of the country will also suffer. "These, perhaps, are less important than those already "dealt with, but they ought not to be ignored. The "manufacture of better classes of sugar is a natural "outlet for capital in a sugar-producing country, and is "one, among many other investments, which tend to "the employment of non-agricultural labour. Nor "must the fact be overlooked that the rise in the value "of the rupee has been in recent years an important "factor in the encouragement of foreign importations. "As that rise has been mainly due to State action, so "the remedy can only be found in action by the State. "The value of the rupee has, since the closing of the "mints, been enhanced by something like 30 per cent., "and the advantage has been to the foreign importer "immediate and positive. To the cultivator of cane the "advantage has been—if he has gained anything at all— "indirect; but, as has often been argued, many years "will elapse before the loss involved in a lower rupee "price, so far as that lower price is due to an enhanced "value of the rupee, will be equalised by lower rupee "prices for labour and for household necessities. In the "meantime the foreign importer will have had the "opportunity to establish a position against him." The note goes on: "In conclusion, in the event of the Con- "tinental subsidies not being done away with, the "measure proposed would free India from the injurious "effects of a pernicious bounty system, which has "enabled beet sugar to disturb the best market, and "threatens, in the interests of alien agricultural popu- "lations, not only to bring industrial ruin on a large "class of our own industrial classes, but to add to the "existing difficulties of the Government the most "dangerous of all problems, an agrarian grievance "calculated to give rise to distrust and discontent, "which, once aroused, might be difficult to allay." The average area under sugar cane for the five years 1892–93 to 1896–97, according to the Government returns, was 2,808,528 acres. The position of the sugar market in August last is thus referred to in advices from Calcutta: "Market here is being seri- "ously affected by excessive beet imports, and prices "are the lowest on record."

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9403. (*Sir J. Muir.*) Is there no other topic upon which you wish to give evidence?—I should like to refer also to the position of salt.

9404. That is one of the first questions upon which I was going to examine you?—In the Calcutta *Englishman* newspaper of the 6th October last, I find the following remarks with regard to a falling off in the salt revenue, and the increased imports of European salt favoured by the high rate of Exchange: —"The resolution on the report of the Board of "Revenue on the administration of the Salt Depart- "ment for the last year lays stress on the fact that "the administration of the Salt Department in Bengal "has a widely different significance from that which "attaches to the same term in the other great "Maritime provinces of Madras and Bombay. In "the two latter provinces there is no import of "foreign salt from over sea, the whole salt supply of "the people being provided by local manufacture, "either by Government agency, or under an Excise "system of licenses. In Madras, for example, the "quantity of salt imported by sea during the past "year was only a little more than 12½ lakhs of "maunds, of which almost all came from Bombay, "whereas 64 lakhs of maunds were manufactured "locally. Similarly, in Bombay during the same "year only a little over 8,000 maunds of foreign salt "were imported by sea, while the quantity manu- "factured locally exceeded 103 lakhs of maunds. In "the case of Bengal, the imports by sea exceeded "122 lakhs of maunds, while the quantity manufac- "tured locally, under Government supervision, was "relatively insignificant, being under two lakhs of "maunds. After rising steadily for three years, the "salt revenue last year showed a decrease amounting "to Rs. 4,94,637 or 1·9 per cent., as compared with "the preceding year. The decrease is attributed to "smaller clearances owing to the famine, and to a "marked falling-off owing to reduced sales of salt at the "Government factories in Orissa, the opening of the "East Coast Railway having facilitated the import "of Ganjam salt on a larger scale, and at a smaller

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"cost: towards the close of the year the imports of "foreign salt into Calcutta were very large. In this "connexion, the collector of customs observes that "the increased importation of Liverpool salt was due "to the action of the Salt Union in sending out a "larger quantity of salt to compete with the crushed "salt from Aden and the Red Sea, and they succeeded "in doing so, as the high rate of Exchange was "in their favour, and they were able to obtain "plentiful and cheap freights from England. The "result of this increased importation was to send "down the prices of salt, and to check the sale of "crushed salt in favour of the Liverpool and Hamburg "article."

9405. I do not quite follow you in your replies to the Chairman in connexion with his question on tea. In 1896, what did you say the average rate of Exchange was?—The average rate of Exchange for Secretary of State's bills in 1896 was 1*s.* 2·45*d.*

9406. What did you say was the general result of the tea trade as brought out by the reports of the companies for 1896?—I made no remarks about 1896. It was 1897 I dealt with.

9407. We will take 1897. What was the average rate of Exchange then?—1*s.* 3·45*d.*

9408. What was the result of the tea industry in 1897?—It was seriously affected by the rise in exchange in the matter of its profits. I will hand in extracts—I suppose I need not read them now—from various tea companies' reports for the year 1897, which bear that out. [*For these extracts, see Appendix.*]

9409. Then I think you said that tea-seed had now become practically unsaleable on account of the stoppage of the extension?—That is the case.

9410. Then, I think, you said that the average price in 1897 of tea was 9*d.*?—Yes, of tea sold in London.

9411. In 1898 it was 8·68*d.*?—Up to the end of October.

9412. That is rather more than a farthing a lb. drop?—Yes; it is not quite a halfpenny.

9413. That is no great thing, the fall being rather more than a farthing a lb. Then you made a remark in reply to the Chairman which led me to think you did not quite understand his question. The question was, "Is the cost of producing tea in India unaffected "by the variations in exchange?" You said, Yes; but I would like just to remind you that, in order to lay down rupees in Calcutta for the payment of wages of your coolies, you must get them at a certain rate of Exchange; it makes a vast difference to the planter whether he can sell his bills upon London to procure his rupees at 1*s.* 0½*d.* or must sell them at 1*s.* 4*d.*?—That is quite true. My reply to the Chairman's question referred to the cost in rupees, not to the laying down of rupees.

9414. Still, in order to provide your funds to pay your coolies' wages and for cultivation expenses, it does make a difference to the planter whether he can get that money from London at 1*s.* 0½*d.* the rupee?—It does make a great difference, and the dearness of money adds to the cost of production.

9415. Then, with regard to indigo, and this artificial dye in Germany, am I correct in saying that that is no better than the real article that we have hitherto had from India, but it is a question of price?—Exactly.

9416. If they increase the production largely in Germany, as it is reported they are trying to do, it may very materially affect the price at which they can produce it; that is to say, they might produce a very big quantity at a lower rate than they can produce a small quantity of the artificial dye?—They may be able to do so.

9417. Therefore, it is of vital importance to the indigo planter in India that he should be able to put down his indigo in Europe at the lowest possible price?—Exactly.

9418. And, therefore, if the rupee cost him 1*s.* 4*d.* in Calcutta, it makes a great difference between that and 1*s.* 0½*d.*, that is to say, it will cost him far more when Exchange is at 1*s.* 4*d.* than when it is at 1*s.* 0½*d.*?—He gets a lower price for his indigo in Calcutta if he sells it there. The sterling prices being regulated by supply and demand, if he sells in Calcutta he gets a smaller price for his indigo with Exchange at 1*s.* 4*d.* than he does with Exchange at 1*s.* 2*d.* or 1*s.* 1*d.*

9419. But, so far as the cost of production is concerned, the same rule applies to him as to the tea planter. He has wages also to lay down for his indigo cultivation?—Quite so.

9420. And, therefore, if he can lay down these wages at 1*s.* 0½*d.*, it is very much better for him than if he has to lay them down at 1*s.* 4*d.*?—That is quite correct.

9421. Then you make in your statement here some reference to illicit coinage. Perhaps you will just briefly express your views as to that, as we have had that question before us on two or three occasions?—A notice that appeared in the *Pioneer* newspaper of September 1898 stated:—"Mr. Henry, the Inspector-"General of Police in Bengal, has some noteworthy "remarks on the subject of illicit coinage in his "annual report: 'During last year,' he observes, "'over 1,000 tons of silver were imported and dis-"'tributed throughout the country; and, having regard "'to the fact that there is a very large number of "'persons competent to manufacture from silver, of "'the value of 11*d.*, rupees which have a fictitious "'value of 1*s.* 4*d.*, the possibility of the counterfeit "'coining of silver rupees being carried on exten-"'sively should not be lost sight of. Many of the "'specimens of counterfeit rupees which come into "'our hands are of excellent workmanship; were it "'not that they are of base metal, their genuineness "'as Queen's coin would in all probability never have "'been challenged.'" This is evidently a very important piece of evidence. During the examination before the Currency Committee of Mr. O'Conor, the Director-General of Statistics, the following dialogue occurred: "*Q.* In your judgment, there has not been much "illicit coinage since the closing of the mints?—We "have no evidence at all of illicit coinage other than "what has been going on from time immemorial. "*Q.* And you would have known it, had there been "any exceptional illicit coinage?—I think it is prac-"tically certain we should have known it." Here, however, is the Inspector-General of Police in Bengal declaring that, if some of the coiners who came under cognizance of the police last year had only been content with a smaller profit, and had made their counterfeits of silver instead of base metal, their workmanship was so excellent that the fraud "would in all probability" never have been discovered. In other words, Mr. Henry virtually says that, if coiners as skilled as those whom he had found operating with base metal, had coined a large portion of the 336 lakhs of "unexpected rupees" of date 1840 and 1862 which emerged last year, their work would in all probability never have been challenged. Thus the evidence of the Director-General of Statistics and that of the Inspector-General of Police in Bengal are almost diametrically opposed on this point.

9422. I understand that your views are in favour of the present system being continued, but on the basis of 1*s.* 2*d.*, instead of 1*s.* 4*d.*, the rupee?—Yes, that is so.

9423. You have given a good deal of consideration to this matter. Is it your impression that, in so far as the two large industries you represent—indigo and tea—are concerned, a 1*s.* 2*d.* rate would enable the trade to go on fairly well?—Certainly, the burden on the industries would be lessened by adopting the lower rate.

9424. Whereas both industries will be killed by the 1*s.* 4*d.*?—They will suffer very materially. It will be a case of the survival of the fittest.

9425. In fact, there may be a repetition to some extent of what has occurred with regard to sugar, which the Government would, equally with the merchant, very greatly deplore. Are you aware that in Calcutta there is a very strong feeling, not only among

Indigo planters and tea planters, and dealers in wheat, but among the great majority of the merchants, against this 1*s.* 4*d.* rate?—I believe that is the general feeling.

9426. We have had evidence to that effect from other witnesses. I would just like you to place on record your views in regard to the remarks made by Lord George Hamilton in the House of Commons on the 17th June last?—Lord George Hamilton, in the House of Commons, on the 17th June last, is reported to have made the following statement:—"I want the "Committee just to realise what difference a slight "rise in the Exchange value of the rupee has done "for Indian finance during the critical period of the "last three years. I will assume, for a minute, that "the rupee had remained at the figure which it "reached during my predecessor's tenure of office— "12·7*d.* At the present moment the silver value of "the rupee is 10·5*d.* I think all will agree that that "is a reasonable figure at which the rupee might be "taken if the Indian Government had done nothing "but stand still, and, if it had remained at that figure," —by which I understand 12·7*d.*—"the loss by Ex- "change during the past three years would have "been Rx. 50,000,000, an excess of Rx. 17,000,000 "over the actual loss that did occur." The gain referred to of Rx. 17,000,000 did not come out of nothing. It was obtained at the expense of Indian producers, including the Government itself, which in 1897 sold 39,000 chests of Bengal opium for Rx. 4,090,198, as against Rx. 5,116,555 realised for a similar quantity in the previous year, showing a deficiency of Rx. 1,026,357. The average price in 1897 was Rs. 1,048·12·3, as against Rs. 1,311·14·11 in 1896. Mr. O'Conor, in the "Review of the Trade of India for 1896–97," remarks on the embarrassed state of the opium trade caused by the stringency of the Indian money market, which induced a fall in prices, such fall in prices being further assisted by the increasing divergence between the Exchange value of the rupee and the tael.

9427. Is that all you have to say upon that point?—Yes.

9428. Then you know something of the jute mill industry in Bengal. Is it a large industry?—A very large and very important industry.

9429. You have something to say in regard to the effect of dear money on the working of jute mills?—Taking 6 per cent. as a fair charge for interest during the first six months in normal years, the average cost of money for the six months of 1898 was fully 11 per cent., giving an excess of 5 per cent. per annum for interest incurred on overdrafts against working stocks of jute held by the companies named below. The following statement in regard to some Calcutta jute mills, shows the six months' excess interest, and the per-centage this excess would represent in dividend per annum on the paid-up capital of the companies:—

Company.	Capital.	Bank Overdrafts.	Excess Interest incurred on Overdrafts for Half-year ending 30th June 1898.	Excess Interest represents following Dividend per Annum on Capital.
	Rs.	Rs.	Rs.	Per cent.
Kanknarrah	14,00,000	6,51,280	16,282	$2\frac{1}{3}$
Khardah	12,00,000	7,38,361	18,459	$3\frac{3}{4}$
Standard	10,00,000	5,80,237	14,505	$2\frac{2}{5}$
Union	9,00,000	10,46,680	26,167	$5\frac{4}{7}$
Seebpore	10,00,000	26,69,407	66,735	$13\frac{1}{8}$
Gowrepore	19,00,000	10,66,752	26,668	$2\frac{4}{5}$
Central	7,00,000	4,67,775	11,694	$2\frac{1}{2}$
Hooghly	33,60,000	22,46,151	56,153	$3\frac{1}{3}$
Alliance	11,00,000	8,63,453	21,586	$3\frac{9}{10}$

9430. That is all you have to say in regard to the jute mill industry?—Yes.

9431. (*Sir C. Crosthwaite*). I understand you hold that it is a good thing for a country to export as much as possible?—Certainly; undoubtedly for India, to export as much as possible. I understand you refer to India.

9432. I meant generally, first of all?—Certainly it is a good thing, and a most important thing for India that she should export largely.

9433. You do not look to the price of what is exported, it is the quantity?—Well, I hold this, that it is better to be able to export something at a low exchange than not to export anything, or to export a materially reduced quantity, at a higher exchange.

9434. But, if you can pay your debts with a smaller excess of exports over imports, that would be an advantage, you think?—Certainly.

9435. Now, do you think that the rate of exchange affects sterling prices? I think you said, with regard to tea, that supply and demand regulated the sterling prices?—I think that sterling prices are more or less regulated by supply and demand; that is the general rule.

9436. And with regard to the principal products of India for export, would you say that that was the general rule?—Certainly.

9437. Now, turning to the case of tea, do you think that the rise of the rate of exchange has damaged, or is likely to damage, the production of tea?—It will certainly damage it.

9438. I suppose you will admit that the quantity of tea that has been exported from India has so far continued to increase. I have the figures here up to 1896 of the total production of tea in India, and I see there has been a steady increase. For example, the exports in lbs. were in round numbers 132 millions in 1893; in 1896 they had risen to 156 millions?—Yes, I know the output of tea has gone on increasing from extensions that were carried out before the effect of the closing of the mints was felt.

9439. Anyhow, it has gone on increasing?—It has, but then ——

9440. So far, on your principles, certainly no harm has been done?—The harm is being done now, and the effect will be felt.

9441. But, so far as we have got the figures, the quantity exported, which you say is the main thing, has gone on increasing?—Because the effect of the rise of exchange was not felt on the industry; it is only within the last two years that that has been felt.

9442. What do you mean by the effect of the rise of exchange?—The effect in adding to the cost of production and lowering the rupee price of tea.

9443. I thought you said that the rupee cost of production had remained the same, that it had not been added to?—Yes, but in reply to Sir John Muir's question I said that it cost the companies that are financed from London more to lay down the rupees required to work their factories at an exchange of 1*s.* 4*d.* than would be required if they worked them at an exchange of 1*s.* 1*d.*

9444. What I mean is this. You say now that the disadvantage is in the cost of production being increased, and the rupee price lowered. But you must not say both those things. The cost in rupees

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has remained the same, has it not?—The rupees are the same, yes.

9445. Therefore, whatever loss there is, is confined to the reduction of the rupee price?—Yes, but it operates in different ways. In the case of English tea companies, financed in sterling, and where teas are sold in London, the effect of the higher exchange is shown in their accounts as adding to the cost of production, in consequence of the fewer rupees obtained for the money sent out to India to carry on their gardens. In the case of Indian tea companies, financed in rupees, and whose teas are sold in Calcutta, the effect of the higher exchange appears in the lower prices obtained for their teas. But the result is the same in both cases—a reduction in profits.

9446. I know it operates in different ways; but what I want you to admit is that you must not say that you are cut both ways?—Oh, no, I did not intend to say that. It reduces the returns to the producer.

9447. Practically it reduces your profits?—It reduces our profits.

9448. Because it costs you more to lay down the rupees which are wanted for production?—Yes.

(*Sir J. Muir.*) I am not quite sure that the witness exactly grasps your question.

(*Sir C. Crosthwaite.*) I think Mr. Cruickshank has grasped my question, but I will put it as plainly as I can.

9449. The rupee cost of production you admit has remained the same?—In rupees yes, about the same.

9450. But of the sterling price which you get in London, it costs you more to lay down those rupees in Ceylon or India?—Yes, it costs more to lay down.

(*Sir J. Muir.*) But I think the witness in reply to my question said it cost him more to obtain his rupees in Calcutta to pay his wages at an Exchange of 1*s.* 4*d.* than at a rate of 1*s.* 1*d.*

(*Witness.*) That is the same thing, I take it.

9451. (*Sir C. Crosthwaite.*) In your memorandum you say, "The effect of the present currency policy "of the Government of India, and of the further pro- "posals put forward, is to impose indirectly a heavy "tax upon exports, and to increase the cost of pro- "duction by raising the value of money." That means the cost of production in India, I presume?—Yes, it would tend to increase the cost of production.

9452. You also hold that there has been a great contraction of the currency owing to the closure of the mints?—The currency is insufficient for the requirements of trade.

9453. Has that shown itself in any lowering of prices, or not; have rupee prices fallen in India in consequence?—Rupee prices are falling in India.

9454. They are falling?—Yes.

9455. And you think they are falling in consequence partly or mainly—we cannot tell, I suppose, exactly how much is due to each cause—but you think the cause is partly the closing of the mints, and the consequent restriction of currency?—Certainly.

9456. The tendency of the Government policy is to raise the value of rupee money, and therefore to reduce, gradually or quickly, the price of produce?—Certainly.

9457. And, I suppose, with the price of produce, the rate of wages will also tend to fall?—I do not quite follow that.

9458. In a country like India, the food is the main thing, I suppose?—Yes. I think the tendency should be for wages to fall.

9459. Therefore, the tendency of the policy of the Government appears to me to be, on those principles, to reduce the cost of food and of labour. According to what you have said, the tendency is to lower the price of food, and as a consequence there is a tendency to reduce the wages of the labouring class?—But what benefit would it be to the labouring classes, when, as a matter of fact, they have smaller wages, and have only the same return in food?

9460. But, suppose in England bread was cheapening, and that the labourers and workmen and operatives were content to get less wages owing to the great cheapness of food, would an English manufacturer say that that was likely to increase the cost of his production?—No, it would tend to lessen the cost of production.

9461. In India, does not the same thing apply? I mean, supposing the value of money is being increased, is it not obvious that the tendency would be to lessen the cost of production *pro tanto*?—Well, you may lower prices to a point at which it would not be profitable to produce at all, as in the case of tea, and in the case of indigo.

9462. But, as I understand it, the sterling price of tea goes by supply and demand?—Yes.

9463. Now your cost of production with a high exchange was so much, and you admit that the tendency of the raising of the value of money by the Government policy will be to lower the price of labour and food; therefore the tendency would be for the cost of production, so far as it depends upon labour and food, to diminish, not to increase. Of course, I admit that things in India sometimes turn out very differently, but it seems to me that, given cheap labour and cheap food, the tendency of the currency policy advocated by the Government being, as you say, to raise the value of money and to lower prices—it seems to me that that must diminish the cost of production rather than otherwise?—Well, if it makes money dear, it adds to the cost of production, and we do not find that the artificial rise in the value of the rupee has diminished the cost of production in the case of tea and indigo. In England, notwithstanding the largely increased purchasing power of its gold currency, wages, I believe, have not fallen. Nor have they done so in India since the artificial rise in the value of the rupee.

9464. "Makes money dear" is a different phrase. What you said here was "raising the value of money." Money might be dear for the purpose of borrowing or getting large advances, and that might embarrass you, but it is quite a different thing from raising the value of money?—Probably that was not the correct expression. It might have been more correct to have said, dearness of money, because "value" might attach to the purchasing power of the rupee; whereas I meant the cost of money.

9465. Then you do not think that the Government policy will add to the purchasing power of the rupee?—It will, if it reduces prices—as it is doing.

9466. It will add to the purchasing power of the rupee?—Certainly.

9467. At the same time, you mean, it would make difficulties in getting advances of money in the money market?—Yes, it costs you more for any money you have to borrow.

9468. It raises the sterling value of the rupee; I suppose there is no doubt about that. If the closure of the mints has been ineffective, as some people say, and has not caused a contraction of the currency at all, then the charge which you bring against the Government of restricting the coinage by closing the mints falls to the ground, does it not—if there was no contraction of currency? Your case is that the Government by an arbitrary act has raised the sterling value of the rupee to 1*s.* 4*d.*?—Yes.

9469. I say that, as you hold that, you must admit that the contraction of the currency has had an effect—that the closure of the mints has had an effect?—It has certainly made money dear and stringent.

9470. And the effect has been to raise the sterling value of the rupee?—The sterling value, yes.

9471. Now, in the cost of production, certainly in the case of tea to some extent, and more largely I suppose in the case of cotton mills and jute mills, the price of European machinery and the cost of European supervision enter into the calculation, do they not?—To some small extent; in the case of tea, to a very small extent.

9472. In the case of tea, as I say it is to a small extent; in the case of mills, it is to a larger extent?—As regards their machinery, certainly.

9473. And as regards their European supervision?—Where that is paid in sterling, but not if it is paid in rupees.

9474. I suppose, even when it is paid in rupees, if the rupee is worth more sterling, you are likely to get English labour for less rupees than where it is worth less sterling?—English labour can be got on practically the same terms as it could 20 or 25 years ago, so far as supervision goes.

9475. It has not affected it?—It has not affected it.

9476. But the policy of raising the value of the rupee is not one which you would say tends to increase the cost of production of tea, or indigo, or cotton, or jute?—If you make money dear, it increases the cost of producing those articles.

9477. I am not talking of making money dear; I am talking of raising the sterling value of it?—I do not follow you quite.

9478. What I mean is this. You have to pay for European labour, and you have to pay for European machinery. The sterling value of the rupee enters more or less into the burden of those payments?—Certainly.

9479. I say more or less?—More or less—to a certain extent.

9480. Therefore, the higher the sterling value of the rupee, the less will be the cost of the machinery and of the European labour?—So far as it is paid for in sterling.

9481. The European labour, I should say, in any case, because the Englishman, so far as I know, looks more or less to the sterling value of what he is paid in; at least if he is a Government servant, or if we are engaging him for the Government, I know that that is so?—Yes, theoretically, that is quite correct.

9482. Therefore, what I want to ask you is this, looking to those facts, do you still maintain that the policy of the Government in raising the sterling value of the rupee is a policy which increases the cost of production?—Yes.

9483. You still maintain that?—Yes.

9484. Will you explain how?—Because what you stated as regards the sterling cost is a small item, comparatively, to the total outlay necessary for the production, say, of tea or indigo; it is relatively a small one.

9485. Will you say in what those outlays mainly consist?—Wages is the principal item in a tea garden.

9486. You have admitted that the tendency of the Government policy is not to increase the wages, but to decrease them?—(*Sir J. Muir.*) No, I do not think the witness has said that.

9487. (*Sir C. Crosthwaite.*) Yes, in rupees. You are going back now to the question of profits. Of course your sterling profits will be less if you have to pay more for your rupees; but what I say is that the cost of production in India cannot be raised, so far as I can see, by raising the value of the rupee?—Take the case of a tea garden. The cost of production will be increased if you add to the dearness of money; and the interest on the working capital required, if you have to pay 10 per cent. for it, instead of 7 or 8 per cent., will be an item which adds to the cost of producing the article. Now, you say, as I understand it, that as against that there is a saving in the lower price paid for machinery and other things obtained from England. That is so, but that item is a very small one. In the case of tea, I do not think over a series of years it amounts to more than 10 per cent. of the total outlay.

9488. This other item which you have brought forward, namely, the cost of procuring the loans which you want, or the money on your bills, to what do you attribute that increasing cost?—To the rise in exchange and the dearness of money.

9489. But is it due to the rise in exchange?—If I have to send out from this country 1,000*l.* to carry on a tea garden, and I can lay that money down at 1*s.* 1*d.* exchange, I get more rupees for it than if I laid it down at a 1*s.* 4*d.* exchange.

9490. But that is money that you send back from the proceeds of the sale of your tea?—Certainly it goes back in the shape of tea.

9491. I was questioning you as to what you say here as to "raising the value of money." When you talk of "the dearness of money," I understand you to mean that, to get your advances in Calcutta or Bombay or wherever it is, you would have to pay more?—Yes.

9492. You would have more interest and heavier discount?—Yes.

9493. To what do you attribute that heavier discount?—Scarcity of money.

9494. At present the whole thing is in a transition state, is it not?—Yes.

9495. But suppose that a gold standard was established firmly, and that people had confidence in it, that cause for the dearness of money would not exist, would it?—If the money went out. You must attract it out there.

9496. I suppose it will go out if there is confidence?—Money will only go out if it can be profitably employed, and, if you injure the industries in which European capital is employed, tea, indigo, and so on,—if you destroy them, and there is no prospect of a return to attract money, it will not go out.

9497. If you destroy them, those industries of course will not want money at all; but is it not begging the question to say that they will be destroyed?—You may so injure them that they will not attract capital for investment in them.

9498. So far as we know at present, the industries are going on?—They are going on certainly, but their prosperity is being seriously affected.

9499. Now I will come to the remarks which you quote from a letter from the Government of India of the 16th September 1897, which, as quoted by you, would seem to be very much against any raising of the sterling value of the rupee?—Beyond 1*s.* 4*d.*, yes.

9500. Can you tell me what was the subject of the letter from which you have quoted those remarks?—I believe it was in connexion with the proposals put forward by the French and American Governments.

9501. In connexion with the proposals for an international agreement to establish bi-metallism, was it not?—I understand so, or something of that kind.

9502. Can you tell me what the ratio was which France and America proposed?—No, I cannot.

9503. The Government of India's remarks were directed, were they not, against attempting to raise the rupee to 2*s.*?—Against raising it above 1*s.* 4*d.* as I understand it. They indicate their own opinions in the passage that I have quoted. The Government say in that despatch, "that the true interests of India "demand that any measures for attaining stability in "the rate of exchange between gold and silver should "be based upon a rate not greatly differing from "16*d.* the rupee, and that any measure which would "raise the rupee materially higher than that level "involves great dangers."

9504. Quite so, but in the quotation that you have made, beginning "pressed as we have been" and so on, what I want to know is whether those remarks were made with reference to raising the rupee to 1*s.* 4*d.* or a trifle over, or were they made with reference to raising the rupee materially higher?—I should say with reference to raising it materially higher. They say themselves, "which would raise the rupee materially "higher than that level."

9505. The proposal before them was to raise it to what?—That I do not know.

9506. At present, they propose to put it at 1*s.* 4*d.* do they not?—Yes.

9507. Therefore, is it fair to quote these remarks of the Government of India, with reference to their present proposals?—I think it is quite fair. I have gone on to say, "the same objections must be held to "apply to the rate of 1*s.* 4*d.*, if such rate is higher "than that required by the conditions of trade."

9508. You say, the same objections apply. Would they apply in equal degree?—Not in equal degree

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certainly—the effect would be greater if the rate was made 1*s.* 6*d.* or higher.

9509. Do you think that the exports from India have as a matter of fact been affected by rises and falls in exchange? Have you looked into the figures? Have you examined year by year the exports to see whether there is any visible connexion between the amount of the exports and the exchange of the year? —I have not gone into the figures lately; but what I hold is that a low exchange stimulates exports from India by enabling the products of India to be laid down cheaper in other countries.

9510. What I wish to ask you is whether the facts and figures of the trade confirm it?—I have not got the figures before me.

9511. If you will refer to No. 1 of our Statistical Tables ("Exports of merchandise &c., 1850–51 to 1897–98") the figures show, do they not, that there has been a practically steady increase year by year in the exports?—Yes, as exchange fell.

9512. With slight variations that always occur in trade, sometimes up and sometimes down?—Yes, until within the last two years.

9513. But do you see any obvious relation between the exchange of the year and the increase or decrease of exports?—I see in 1897–98, which is the year in which latterly exchange was highest, exports had fallen off.

9514. That was the year of famine and plague?—And also in 1896–97.

9515. Had famine affected trade in 1896–97?—To some extent possibly.

9516. Not to its full extent, but to some extent?—Yes.

9517. Look, for example, at 1890–91, when the exchange was 1*s.* 6·089*d.*; and again go up to 1888–89, when the exchange was 1*s.* 4·379*d.* In 1888–89 you had a smaller export with 1*s.* 4*d.* than you had in 1891 with 1*s.* 6*d.*?—You cannot take one year exactly with another, because there were special influences at work.

9518. But do you see anything that would lead one to deduce a law that the exports must vary with the exchange; in other words that the exchange is such a factor as to override the other causes?—The exchange is a very material factor in enabling India to compete with other countries in laying down its products.

9519. I am not contesting the theory: what I want to know is, do the facts bear out that theory?—On the whole they do.

9520. You think so?—I think so. There may have been influences at work in some years that modified the effect of the low exchange, but on the whole I consider they do.

9521. That is to say, when the facts were against the theory, you would hold that there were some influences at work?—Some influences at work.

9522. And, when they are in favour of the theory, you would hold that there were no influences at work?—Not at all. I think these figures might have been submitted with some explanations. I saw an article in the *Economist* the other day, pointing out that the mass of figures recently given in these returns were given without any information or explanation to enable you to arrive at any definite conclusions as to their effect.

9523. I do not see how we can expect anyone to explain them. Of course you can invent explanations, but there is the broad fact that the trade goes on increasing. Now, with reference to the causes that might increase the trade, do you think that the exchange is as great a factor as the improvement of communications by railways and by the Suez Canal?—They all help, of course, but it is impossible to say to what extent and in what proportion each contributes.

9524. For example, there has been, and there is, I believe, this year, a great export of wheat from the Punjab. The distance from the wheat-producing districts of the Punjab to the sea is, I suppose you would say, roughly, from 1,200 to 1,500 miles?—Yes.

9525. Now, suppose that there were no railways, would any exchange have got that wheat out of the Punjab? Supposing that there were neither railways nor the Suez Canal, do you think the wheat, no matter what it sold at, could have been brought down in country carts and on bullocks?—Probably not. I quite recognise that railways in India have helped to increase exports.

9526. And that, from some of the largest exporting districts, there could have been no export without these means of communication?—Certainly.

9527. No matter what the exchange was—at least within reasonable limits; of course if there had been a bounty or anything of that sort, it might have come out. Do you know Central India at all?—No, I have only passed through it; but I have here a statement, if you are interested in the exports of wheat, that will show you the various causes that bear upon it (*see Appendix*).

9528. That shows the prices of wheat?—It shows the exports, and it shows the exchange; and it shows the rates of freight.

9529. Take the years 1893, 1894, and 1895. There was a small export of wheat in those years?—The figures are there. The smallest of all was last year, 1897. Of course that is exceptional.

9530. Practically there was no wheat to export then, or rather it was too dear ——?—But it gives there the sterling price, which has also an effect on exports. India competes with other countries. If other countries have a full crop, and are able to lay down their wheat at lower prices in Europe, naturally that affects India's capacity for exporting.

9531. When the exchange in 1894 was less than 1*s.* 1*d.*, or about 1*s.* 1*d.*, and there were only about 700,000 tons exported from India —— ?—The sterling price is given there.

9532. Therefore we might, by re-opening the mints, drop the rupee to 1*s.* or less, and yet, owing to other causes, we might not get any greater export of wheat?—It depends on the cost of production in other countries.

9533. But you cannot say that the lowering of the rupee by the re-opening of the mints will necessarily increase exports?—It will enable India to compete more advantageously with other countries than with a 1*s.* 4*d.* rupee.

9534. But it will not necessarily increase exports?—If other countries can reduce the cost of production to a corresponding extent, it will not.

9535. Now I think you said that silver prices in India had ruled pretty steady?—That is my general opinion.

9536. But have you examined that opinion by the light of tables of prices?—I have tables here, and I have examined them. Of course there have been fluctuations in prices.

9537. You know that this opinion has been contested by some, for instance, by Mr. Atkinson. Have you seen his tables of prices?—I have not seen those. In connexion with that, this paper that I have here shows that wheat in Calcutta, with exchange at 1*s.* 10¾*d.*, in 1873–74 sold at 3 rupees 1 anna; in 1894, with exchange at about the lowest point, wheat was sold at 2 rupees 12 annas; so that the purchasing power of the rupee had not fallen with regard to wheat in 21 years.

9538. That was in Calcutta?—In Calcutta.

9539. But the price in Calcutta or Bombay would be greatly influenced, would it not, by the cheapness of communication from up-country? There is not much wheat grown, I take it, about Calcutta?—No.

9540. Nor about Bombay?—No; but the cheapness of communication has not very much fallen in that time. The railway charge for the carriage of wheat from Cawnpore, for instance, to Calcutta, has fallen in the last few years, but not much. In 1888, the rate was Rs. 53 per 100 maunds, but it has since been reduced to Rs. 47.14.8 per 100 maunds.

9541. With reference to the price of other food grains, would you say that they had not increased; in price?—I say that they have been more equalised that is to say, in places where formerly, through the absence of communication, the prices were exceptionally low, they have been raised to a level with other districts.

9542. At places that were land-locked, where prices were very low, they have been raised?—Yes.

9543. But, on the whole, would you maintain that there has been no rise?—On the whole, my opinion is that the purchasing power of the rupee up to the time of the closing of the mints, as I have said, has not materially changed.

9544. I have here a table showing the variations in the retail prices of seven food grains from 1861, in which the price of 1873 is taken at 100. This table shows that since 1873 down to 1893 there was a very considerable rise?—That is in retail prices. There has been a rise in certain parts of the country, but, as regards the matter of exchange, I think the prices of export articles have more to be taken into account.

9545. And at the seaports?—Yes, but prices in the interior must be lower than at the seaports, allowing for the cost of carriage——

9546. But I ask whether you would contest these tables, or whether you would admit that the prices of food grains have risen?—I do not contest the tables, because I have no means of seeing whether they are accurate or not. But I have other tables showing the prices of rice and salt and wheat in different parts of India, and, certainly, at the ports of export they do not show any great variation in price.

9547. When you advocate the re-opening of the mints, I think you take it for granted, or as pretty nearly a matter of certainty, that prices would rise?—I have not advocated the re-opening of the mints.

9548. That is quite true. I am mistaken; you have not advocated the re-opening of the mints. In the quotation you have given from Mr. O'Conor's evidence you have inferred that prices have not risen?—That the purchasing power of the rupee has not generally fallen throughout India.

9549. Owing to the low exchange; I mean, during this period of low exchange the purchasing power of the rupee has not fallen?—Has not generally fallen.

9550. But, when you are advocating a lower rate of exchange than 1*s.* 4*d.*, you appear to me to assume that the purchasing power of the rupee will fall?—Eventually I believe it would have fallen, had the mints remained open.

9551. And you tell us that that fall will enable the country to bear more burdens of taxation than it now has to bear?—No. You will notice that I said this: "I should have expected, if exchange had remained at "about the lowest point to which it fell in 1894, "say, between 1*s.* and 1s. 1*d.*, that the tendency "would have been for the purchasing power of the "rupee to fall, and, presuming this to be the case, the "natural level of exchange required by conditions of "trade would approximate to that point." So long as the purchasing power of the rupee does not fall, India continues to benefit by the low exchange in the matter of export; or, so long as the purchasing power of the rupee in relation to commodities in India does not fall, India is put in a better position to compete with other countries by a low exchange.

9552. I think in another place you said that the low exchange enabled the exporter to give higher prices to the ryot?—I never said so.

9553. Then you do not hold that the ryot has gained anything hitherto by the fall in exchange?—He is enabled to produce more: that is to say, he is enabled to grow more, and, owing to being able to export more, he gets in some districts higher prices for his products. The ryots generally have benefited by being able to produce and export more, rupee prices not having fallen.

9554. You mean by increasing the area cultivated?—Yes.

9555. But not by getting higher prices?—No, I should not say by getting higher prices.

9556. Because you think prices have not risen?—They have not risen—not materially.

9557. Supposing that we allow the rupee to fall still lower, by fixing a lower ratio or other means, on what grounds can you expect that the ryot will get any higher prices than he gets now, or do you anticipate that he will get higher prices? I gather that you think it will come on in time?—As regards articles exported from India, the rupee prices depend more or less on the sterling prices; and the view I hold of the matter is that, the lower the exchange is, the better India is enabled to compete with other countries that produce similar commodities in supplying the requirements of Europe. If the range of sterling prices is such that she can do so, and give higher prices to the ryot, of course the ryot gets the benefit. If the range of sterling prices is such that she can merely compete on the level of rupee prices, the ryot would not get any benefit.

9558. He would get the present price?—Yes.

9559. And still the product would go into the market at a cheaper sterling cost?—Yes.

9560. But do you not think that that process would bring down sterling prices?—Sterling prices do not depend altogether on the exports of India; they depend on the production of other countries as well, which compete with India.

9561. Then if the amount which should be added to the exports by this means were not sufficient to meet the debt, it would be necessary to reduce the sterling price of Indian produce?—It might have that effect.

9562. Now there are one or two questions I should like to ask you about the effect which you say the high exchange has had on indigo. Of late years, and for a good many years past, have not the natives come into competition with the large European indigo factories by establishing small factories of their own?—Do you mean in Behar?

9563. I cannot speak of Behar, but I know that in the North-Western Provinces a great many small indigo factories have been established?—Yes.

9564. Is it not the case in Behar too?—Not in Behar, I think. The indigo industry in Behar is principally in the hands of Europeans. In the North-West it is almost entirely in the hands of the natives. When it pays them to grow indigo there, they grow it; when it does not pay to grow it, and prices are low, they stop growing it.

9565. But that competition has brought down the prices, has it not?—It is a different class of indigo altogether. It goes to America largely.

9566. (*Sir F. Mowatt.*) So far as it goes to America, does it stand in the place of the European indigo that before went to America?—There are certain qualities of indigo taken for Europe. The finest of all indigo goes to Russia, and they take higher priced indigo than would be required for England or America. Russia and France take the finest indigo, and pay the highest prices for it. In America they take principally Oudh indigo—the North-West indigo.

9567. Taking the commoner sort of indigo that goes to America, was that in the hands of Europeans before the natives began to grow it?—No, it is grown principally in the North-West; it is almost entirely in the hands of the natives.

9568. It has not affected the European trade?—Well, of course, the larger the crop is, the more effect it has on prices.

9569. (*Sir C. Crosthwaite.*) With regard to your remarks about beet sugar, I understand you to say that a high exchange favours the import of beet sugar?—Yes.

9570. And that has caused a fall in the local prices?—Yes.

9571. If it has caused a fall in the local prices—I dare say you are right—I ask you to explain how it also gives the importer into India of beet sugar a

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higher price?—I did not say that he got a higher price.

9572. I understand you to say that the high exchange enables the importer to come in? — Yes, because it enables him to lay down cheaper in India.

9573. How does it enable the importer to come in, unless he gets a higher price?—It enables him to lay down cheaper in India, in the same way that a low exchange enables an exporter from India to lay down his product at a lower price in Europe.

9574. But you say at the same time it tends to lower the local price?—Yes.

9575. I have no doubt you are right, but I cannot understand, if it has lowered the local price, how it has given the importer a higher price?—It has not given him a higher price, it has only given him a lower laying down cost in India.

9576. Then I suppose the diminution in price has not been enough to swamp the advantage that he got?—No.

9577. Will you kindly look at what you said about salt, and the quotation that you make from the Calcutta *Englishman* with regard to the falling off of the salt revenue, and the increased imports of European salt favoured by the higher exchange. Are not those remarks of the Calcutta *Englishman* made entirely with regard to the salt revenue of the province of Bengal?—Apparently so. I gave the extract as it is, merely to point out how the exchange operates in favouring the importation of foreign salt into India.

9578. When they say that the "salt revenue last "year showed a decrease amounting to 1·9 per "cent.," that refers merely to the salt revenue of the Bengal province?—I cannot give you any further informatiom about the salt trade than I have put down here.

9579. They say, "The decrease is attributed to "smaller clearances owing to the famine, and to a "marked falling off owing to reduced sales of salt at "the Government factories in Orissa. The opening "of the East Coast Railway has facilitated the import "of Ganjam salt on a larger scale and at smaller "cost." Ganjam salt is not seaborne salt?—I believe not. I am not familiar with the salt trade at all.

9580. I think you may take it from me that Ganjam salt is salt manufactured in Ganjam, in the Madras Presidency, and therefore exchange cannot have affected it in the least?—But the importation of foreign salt has affected it.

9581. They say, "The result of this increased "importation was to send down the prices of salt, "and to check the sale of crushed salt in favour "of the Liverpool and Hamburg article"—that is to say, it affected the Aden salt in favour of the Liverpool and Hamburg salt, but that substitution of one foreign salt for another foreign salt would not affect the salt revenue in any way?—It might affect the production of salt in India, if importation increased to a very large extent.

9582. If it displaced the home-made salt, yes, but the duty is collected on all salt, is it not?—But is it of benefit to India to injure one of her industries?

9583. Of course it is not to her benefit if that industry is injured, but, in what you have quoted, is there any evidence that the native salt industry of India has been affected?—This is all I can give you, and you can draw your own conclusions from it.

9584. I think you did not put forward any specific proposals as to the modes of taxation to be adopted?—No.

9585. Nor did you express an opinion as to the amount that it may be necessary to raise?—No—if it is necessary to raise anything extra at all.

9586. (*Sir A. Dent.*) You gave us a short time ago your views about the wheat trade, and how it was affected by exchange, and tables were referred to showing how the export varies from year to year from various causes. Now wheat is an annual, and that same argument would not apply to tea at all?—No.

9587. As the tea production must be exported to the United Kingdom or the colonies?—Yes.

9588. Then the effect of this exchange last year has been to check the extension of tea, you say?—It has.

9589. In your opinion, is that check to extension altogether a great blow to the tea trade as a whole?—In what respect?

9590. If tea is being produced at the same rate as it has been during the last 10 or 15 years, are you not afraid that there may be no market for it? There must be a check in some form, must there not, otherwise, by producing so much, the price will be brought down to such a level that the production will cease to pay?—There comes in the question of supply and demand. Of course, if you produce more than can be consumed, the prices will naturally fall, and production will be checked.

9591. But the consumption of tea is not quite the same as the consumption of wheat?—I understood that you were referring to tea.

9592. Yes. An argument that might apply to wheat, which might be put to many uses, would not apply to tea, which has only one use?—In the case of wheat, if sterling prices fell so low that it could not be laid down profitably from India, the production of wheat would naturally decrease, and, being an annual, some other crop would be substituted for it.

9593. Wheat can be used for other purposes—if it cannot be made into bread, animals may consume it; whereas only a certain section of the world drink tea. My question is, is it a great blow to the trade as a whole, that the large production of tea has had a check through this rise of exchange?—I think it is a blow to the country that one of its principal exports should be checked.

9594. Have not you heard amongst your many friends who grow tea, that some of them think that this rise of exchange is rather a blessing than otherwise, because it checks production?—Some people seem to think so.

9595. You have heard that said?—I have heard that said.

9596. One gentleman, the other day, said he thought it would be a good thing if exchange went up to 1*s.* 6*d.*?—It would not necessarily follow. The natural effect of curtailing production would be to curtail consumption; that is, if it had the effect of raising sterling prices. Now the sterling price of tea has fallen, and this has led to increased consumption. If the sterling price were raised by curtailing production, the effect might be to curtail consumption also, and there would be no benefit, while an opening would be given for the cheaper China tea to come into use more largely again.

9597. In regard to the Indian and Ceylon tea trade, do you anticipate any great competition from China?—Mr. Cameron, in reply to question 8382, has stated: "The competition of China will go on increasing year "by year. As we have seen already, during the last "10 years the trade has increased very largely, and I "should look for that increase going on; but it is only, "perhaps, as you say, in the course of a generation "that it will increase by leaps and bounds." In my note I say, "Mr. Cameron's views as to the increased "competition to be expected from China are supported "by recent reports from Her Majesty's Consuls in "that country, as shown by the following extracts." I can read the extracts; they are embodied in consular reports, which are published and available.

Extract from Diplomatic and Consular Reports, No. 2156, July 1898. Shanghai.

"*Black Tea.*—Nearly the whole of the first crop was as usual sold at Hankow. The Shanghai season opened towards the end of June, but little business was done until August, when the rapid decline in the value of silver, alluded to above, enabled buyers to lay down their purchases cheaply on the London and New York markets. The increase in the amount of settlements compared with last year's (69,000 against

46,000 half-chests) is no indication of the trade returning to Shanghai, but an accidental occurrence, owing to violent fluctuations in exchange and freight. The result to foreign buyers has been on the whole fairly satisfactory. The second and third crops amounted to 75,000 and 61,000 half-chests respectively, against 61,000 and 15,500 half-chests for the previous season. The increase in the third crop shows the wonderful elasticity in possible supplies, when prices rise a little above the bare costs of production.

"An interesting incident in the past season was the experimental use at Wenchow of a machine roller, which proved beyond doubt that the most ordinary China tea is capable of astonishing improvments if treated by modern methods. Wenchow tea made by the old native process is of the most inferior description, but, by being carefully made and machine rolled, a very fair drinkable tea resulted.

"A company under the auspices of the Commissioner of Customs at Hankow, Mr. R. B. Moorhead, is being formed to experiment in this line in the Hupeh tea districts, the safety of men and machines being guaranteed by Imperial edict. A somewhat similar company is already working in Foochow, and has, I understand, had some measure of success. It is now enlarging its operations.

"The Chinese Government appears at last to be awakening to the fact that the tea trade is rapidly slipping away from their country, and there are signs that it will be willing to make some concessions to encourage measures for the improvement of the tea produced. A very efficient and feasible way would be to grant facilities to foreigners to take up land in the tea districts, so as to introduce more careful cultivation of the plant, and to offer a premium in the shape of a large reduction in duty on tea prepared by modern methods. The wisdom of such a course would appear obvious, for, if the measures for tea improvement were crowned with success, the revenue would soon recoup itself for the reduced duty by increased export, while, in the event of failure, the revenue would simply revert to its present footing."

Extract from No. 2072, *May* 1898. *Foochow.*

"The export of tea in 1897 was nearly 16,000,000 lbs. below that of 1896, but the earthquakes in Assam, the appreciation of the rupee, the small output of Foochow teas, and a local combination not to flood the home markets precipitately, tended to make the season not unprofitable.

"Some of the old faults of Foochow teas appear to have been eradicated; such as mixing the leaf of the old season with that of the new, or introducing an excessive proportion of dust; and the native firing of the teas is very highly spoken of, and is, I am assured, on a par with that of Ceylon. But none of the new methods of preparing teas appear to have proved a complete success. Hand-rolled teas are said to have been a failure, and shade-dried teas are not well spoken of except in a few small parcels, where the quality was excellent and would command very high prices.

"The establishment of the Foochow Tea Improvement Company, Limited, may do something to improve the conditions of the trade. It will doubtless give foreigners and Cantonese a more personal interest in the plantations, and an improvement in the company's gardens is likely to induce the natives to pay more attention to their own. The only plantation at present owned by the company is at Doon Ling, about 15 miles from Foochow, and already it is found in the neighbourhood that teas are picked with more care, and leaf is at last being bought directly from the producer without any middleman's charges. Further, the yield of the old shrubs on the company's estate is found, now that they are properly manured, to be surprisingly large.

"The company has recently been reconstituted with a capital of over 70,000 dollars, and now proposes to experiment with plants raised from Indian seed, in order to compete directly with Indian teas; but freight, wages, and taxation, are three items which are likely to handicap the company adversely.

"The local government regards the company not unfavourably, and itself is making an effort to restore the tea trade by reducing the likin charges. The reduction is intended also to benefit the provincial government, which is apprehensive that teas may be brought down under the transit pass, the duties under which would be paid to the central Government. The proposed reduction is nominally 4 mace (about 1*s.* 2*d.*) per 100 catties, but the manipulation which weights undergo at likin stations prevents these figures being of much value. The intention, as I am assured by the officials, is to underbid transit dues, and, if this is carried into effect, the likin charges must be under 1 tael 25 c. (about 3*s.* 9*d.*) per picul."

Extract from No. 2156, *July* 1898. *Shanghai.*

"*Cotton Goods.*—Nine large cotton-spinning factories were running at the close of the year with 290,000 spindles. Additional spindles will shortly be erected, to the number of another 100,000. The labour employed is principally female, and, with the sudden demand, wages have been forced up enormously, the supply of skilled hands being naturally unequal to the demand. Wages, which began at 20 c. (4½*d.*) per day, rose to 30 c. (6½*d.*), but have since gone down again, as the supply increased, to 25 c. (5½*d.*).

"In spite of this difficuity, the mills have already paid small dividends, and, it is believed, have good prospects before them. When in full working, the existing mills should produce about 240,000 bales of 400 lbs. per annum. To meet the demand for raw cotton, large areas in the neighbourhood are being put under this crop.

"China cotton, though apparently dearer than Indian or American, has certain advantages which fully compensate for its higher price. In the first place, it takes the dye very much better than other kinds, and consequently the yarn spun commands better prices. In the second place, though about 13 per cent. dearer than Indian cotton on the spot, Shanghai cotton is much cleaner, and the loss in weight, which is 12 per cent. on American and 13 to 16 per cent. on Indian, is less than 10 per cent. on Shanghai cotton. This is due to the nature of the soil here, which is alluvial instead of being sandy. Moreover, Chinese cotton can be worked on one machine less than Indian or American, which is so much saving on working expenses. The staple is somewhat short, 20's being the extreme limit for which it can be used."

Extract from No. 2059, *April* 1898. *Chungking.*

"Indian yarn is the one object of foreign import which has firmly and generally established itself all over the province in the face of rising prices. Contrary to what might have been expected, the greatly increased import of raw cotton (chiefly from Chekiang and Kiangsu) has had no prejudicial effect, and this yarn has risen by 3,000,000 lbs. Prices have varied from 101 to 81 taels per bale. But the large increase of Chinese and Japanese yarns is especially worthy of note. With a rising rupee, India will compete with these yarns at a disadvantage, and Chinese yarns have a further advantage in lighter taxation. Foreign imports for the interior have to pay tariff duty plus one-half for transit dues or native likin, while the product of the steam mills at Shanghai only pays tariff duty, and is then entitled to a free pass all over the province. The yarns produced by the Hankow mills are also growing in favour, they are sent by the Yang-tze under transit pass and do not come within the cognizance of the Chunking customs. Large quantities of the same yarns are sent from Hankow into Kuei Chou *viâ* the Tung Ting Lake and the Yüan River. Particulars of this trade must be sought in the Hankow reports. Hitherto the Indian article has been more plentiful and of superior quality, but the output of Chinese yarn is now rapidly increasing, and, instead of being confined to local markets, is seeking for distribution in the western provinces."

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The future of manufacture by Western methods in China is a subject of the utmost importance to every Englishman. The following facts and opinions may help experts to a judgment:—

Extract from No. 458, May 1898. Central and Southern China.

"In regard to wages, employers in China are at a great advantage. The wages of an adult man on the lower Yang-tze for a day of 12 hours, for, say, 320 days in the year, in such industries as native hand-weaving and dyeing, average, at the present gold price of silver, 10*s.* to 12*s.* a month, all included. Wages may be expected to rise somewhat in the future for the more skilled classes of labour, as the number actually efficient must be limited, at least until the system of apprenticeship, which is universal in China, has had time to take root in regard to the new industry; but any great change in the level of wages amongst the plain workers must be very slow, as the operatives will have pressing upon them the mass of millions of cheap workers with just as good capacity as themselves—unless, indeed, manufacture is congested in one place, and labour allowed to get into the power of Chinese middlemen. The truth is that a man of good physical and intellectual qualities, regarded merely as an economical factor, is turned out cheaper by the Chinese than by any other race; he is deficient in the higher moral qualities, individual trustworthiness, public spirit, sense of duty, and active courage, a group of qualities perhaps best represented in our language by the word manliness, but in the humbler moral qualities of patience, mental and physical, and perseverance in labour, he is unrivalled. Physically, he is a hard man—I am speaking of the labouring class—far from an Asiatic, as we use that word in English.

"It seems probable that, under the leadership of skilled European managers and foremen, of character and temper, firm, just, and reasonable, the Chinese coolie and his wife will make excellent textile factory hands. European superintendence is essential, precisely because of their moral short-comings above stated. Judged by our standards we must pronounce all organisations in China (with a few exceptions noted in Secs. 34 and 36) above the family and the small business partnership to be hopeless failures. The upper class seem to lack the moral tone to carry on big enterprises; indeed the laws and the courts of justice are wanting as well as the men.

"Still, here, these millions of patient, reasonable workers are only wanting leaders to make them producers on a gigantic scale, and leaders they will most certainly find. Whatever the future in politics of China may be, here these workers must remain; and they are, in my opinion, destined to modify profoundly the condition of the world's industries.

"To return to cotton manufacture, all Western employers and overseers of Chinese agree that they excel in lightness and deftness of hand, and that they are suited in physique and intelligence for work in cotton mills. They show extraordinary powers of endurance; for instance, boys in the Hankow mill work through the whole night without leaving the mill, and with only a little rice congee by way of food. There may be temporary difficulties with labour. The Chinese have always practised a form of strike against bad government, directed at the officials, by ceasing to do business, shutting their shops, &c.; but we hear little of combinations of workmen directed against employers, probably because these latter are many, scattered, and in a small way. It is probable that workmen employed in cotton mills will combine, but there is in China a dreadful poverty of the masses, due to rapid increase of population, wherever a district has been spared rebellion and famine for a few tens of years, and nothing can keep up the wages of common labour, which must remain, under the present system, close on starvation point.

"In regard to land, the lower Yang-tze Valley is as perfect a site for manufacturing industries as can anywhere be found, with coal and iron in easy reach, a temperate climate, and good means of communication by water.

"In regard to capital, the third agent besides land and labour in production, the Chinese have not sufficient to develop their country, even with the present backward methods of industry; and interest is accordingly very high. The country does not now produce the precious metals to any extent; and the Chinese have, it is believed, no more of silver and copper than is required for the ordinary circulation; but they are likely to get ample capital for enterprises under foreign management from abroad, and there is no more promising field for the investment of English capital; no English money has been lost in China through the act of the Chinese Government, and little in any other way than by bad business."

9598. Do you think Mr. Cameron's remarks apply particularly to tea?—No.

9599. If you refer to his answer 8388, you will see that he rather meant that it should not apply to tea?—I see what he says there.

9600. Anyhow, whether Mr. Cameron's remarks apply to tea or not, it is the fact, is it not, that the supply of China tea that is taken in the United Kingdom has enormously decreased?—Enormously decreased, yes.

9601. As shown in the tables which Sir James Mackay gives, and which are published on page 18 of Part I. of our Evidence, it has gone from 143 million lbs. in 1884 down to 35 million lbs. in 1896?—The decrease is very large, but China still exports a large amount of tea to America, where it competes with Indian and Ceylon tea.

9602. Then you are still afraid that China might eventually interfere with the Indian and Ceylon trade?—Well, the capacity of China as a tea-producing country remains to be seen. It has materials, according to the reports submitted to Her Majesty's Government, for almost limitless production.

9603. It is said, I believe, in one place that China only exports one-twentieth of her production?—I do not know how that is.

9604. Anyhow the amount of tea that China exports is very small, compared with what she uses in the country, where the whole population drinks tea? No doubt.

9605. Now about the jute mills, to which you refer. You gave us a table in which the amount of the bank overdrafts is shown, and the excess of interest which had to be paid in consequence of those overdrafts reduced the dividends of the companies by $2\frac{1}{2}$ per cent., and up to as much as 13 per cent.?—It is stated, "The excess interest represents the following "dividend on the capital of the company."

9606. My only question with regard to that is rather for information than anything else. Have these companies any working capital?—Most of them, I think, work almost entirely on borrowed capital, and they have to hold very large stocks of jute and manufactured goods, and these bank overdrafts are taken from their figures.

9607. Then are we to understand that it answers their purpose better to get overdrafts from the bank than to call up additional capital from their shareholders?—So far, it has answered their purpose better, while money was cheap.

9608. (*Mr. Campbell.*) As regards the effect of exchange on tea, as to which Sir Charles Crosthwaite put some questions to you, taking the sterling price realised for the tea, the exchange affects all that portion of it which has to be remitted out to India to be expended there?—Yes.

9609. It is only those portions of the proceeds which are spent in England which are not affected by the exchange?—Certainly.

9610. Can you tell me what the proportion between the two is: what per-centage the one bears to the other?—Taking it over a series of years, it is about

10 per cent., I think; that is to say, that represents about the cost of the stores and other things that have to be procured from England for the working of tea gardens.

9611. So that, if that is the case, exchange affects 90 per cent. of the total proceeds of the tea?—Yes, about that.

9612. Now, as regards the lower cost of production to which Sir Charles Crosthwaite alluded, caused by the rise in exchange, have you found that you get your coolie labour much cheaper than you did three years ago?—No.

9613. Any cheaper?—No cheaper.

9614. In the last three years exchange has risen to something about 1*s.* 3½*d.* a rupee?—Yes.

9615. That is close on 30 per cent.?—Yes.

9616. So that you have been prejudiced to the extent of 30 per cent., and you say you have no advantage in the shape of cheaper labour at all?—No, none.

9617. Do you consider the present exports of tea from India to be any criterion of the present prosperity of the industry?—None whatever.

9618. The larger exports which have been referred to, are the result, are they not, of extensions which were made when exchange was at a lower level?—Yes.

9619. It is only three or four years hence that the effect of the exchange in checking production will make itself apparent?—Yes.

9620. Now, as regards the effect of exchange on exports and imports, you admit, of course, that exchange is not the only factor in increasing or decreasing exports?—It is not the only factor.

9621. There are markets, and prices, and crops, and demand, all to take into consideration?—Yes, and cost of transport.

9622. A large crop may produce large export, whatever the rate of exchange is?—Yes, it might.

9623. If a country grows a very large crop of anything more than it can use, it will export it, whatever the rate of exchange may be?—Yes.

9624. And, on your theory, a large export would actually lead to a higher exchange?—Yes, the effect would be to raise exchange.

9625. Allusion has been made to the year 1890-91 as an instance of large exports when exchange was comparatively high. Are you aware that that year was the year when there was a Russian famine, and a great failure of the Russian wheat crop?—I was not aware of that.

9626. And that that led to a very large increase in the price of wheat, and a consequent very large increase in the exports of wheat from India?—From the figures I have, the price of wheat in England in 1890 was from 33*s.* to 34*s.*; in 1891, 36*s.* to 38*s.*; and in 1892, 30*s.* to 32*s.* Since then it has been always lower, until this year, when, owing to exceptional causes, the price rose very considerably.

9627. You contend that a low exchange gives a higher rupee price, provided the sterling prices remains the same?—Yes.

9628. And I think it has been brought out—in fact you replied yourself—that India is not the only country that determines sterling prices?—Certainly it is not.

9629. There are some remarks in your memorandum as to prices and markets adjusting themselves to exchange. Do you take it they would so adjust themselves?—Well, a high exchange would lead to contraction; and a lower exchange would lead to expansion.

9630. A high exchange would lead to contraction of what?—Of production.

9631. And to a checking of exports?—Yes.

9632. Low exchange, on the other hand, would lead to an expansion of exports?—Yes.

9633. And checking of imports?—Not necessarily; because the price of imports depends on the sterling price of the commodities. Take, for instance, the case of cotton. Cotton is lower now than ever it was before, and Manchester is able to produce cotton goods at a smaller cost, which enables her, even with a low exchange, to go on importing largely into India; but of course the tendency is for low exchange to check imports.

9634. Then would you say that the tendency of a high or a forced exchange on trade would be towards establishing more and more of an equilibrium between imports and exports?—Certainly it would check exports and encourage imports.

9635. It would, in fact, diminish the balance of trade?—It would diminish the balance of trade.

9636. And thereby diminish India's power of paying her foreign debt?—Certainly.

9637. I see that, in the memorandum from the Chamber of Commerce which you put in, they allude to high exchange as an important factor in the increased import of sugar into India?—Yes.

9638. They allude there to a proposed remedy; what was the remedy?—I believe the remedy was an increased import duty.

9639. A countervailing duty?—A countervailing increased import duty.

9640. Are you aware whether the Government have taken any action on that report?—The Government have taken action. They took steps to be represented at the Brussels Conference; one of their officers was appointed to go there on behalf of the Government of India; and I see from a telegram to the *Times* last week that they have ordered local inquiries to be made by the provincial Governments as to the effect of these imports of beet sugar on the cane production in India.

9641. So that the matter is engaging the attention of the Government of India?—Yes.

9642. Now, as regards Chinese competition with India, it is not only in tea that China is likely to compete with India. Is it not the case that China is a large competitor with India in the production of cotton goods?—Yes. I will read an extract from the Shanghai Consular Report of July, 1898: "Nine "large cotton-spinning factories were running at the "close of the year, with 290,000 spindles. Additional "spindles will shortly be erected to the number of "100,000. The labour employed is principally "female, and with the sudden demand wages have "been forced up enormously, the supply of skilled "hands being naturally unequal to the demand. "Wages, which began at 20 c. (4½*d.*) per day, rose "to 30 c. (6½*d.*), but have since gone down again, as "the supply increased, to 25 c. (5½*d.*). In spite of "this difficulty, the mills have already paid small "dividends, and, it is believed, have good prospects "before them. When in full working, the existing "mills should produce about 240,000 bales of 400 "lbs. per annum. To meet the demand for raw "cotton, large areas in the neighbourhood are being "put under this crop. China cotton, though appa-"rently dearer than Indian or American, has certain "advantages which fully compensate for its higher "price. In the first place, it takes the dye very "much better than other kinds, and consequently "the yarn spun commands better prices. In the "second place, though about 13 per cent. dearer "than Indian cotton on the spot, Shanghai cotton is "much cleaner, and the loss in weight, which is 12 "per cent. on American, and 13 to 16 per cent. on "Indian, is less than 10 per cent. on Shanghai "cotton. This is due to the nature of the soil here, "which is alluvial instead of being sandy. More-"over, China cotton can be worked on one machine "less than Indian or American, which is so much "saving on working expenses. The staple is some-"what short, 20's being the extreme limit for which "it can be used."

9643. The China mills have hitherto used Indian cotton very largely, have they not?—Indian cotton and Indian yarn.

9644. And to the extent to which they use Indian grown cotton, for instance, is it the case that the China manufacturer is in no better position for production

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than the Indian competitor by the fall in China exchange? I mean this. Is it not the case that the Chinese buyer of Indian cotton has to suffer a loss in remitting to India for the purchase of the cotton, equal to the loss sustained by the Indian manufacturer in selling his goods in China?—Yes, I should think they equalise each other.

9645. But would not a different aspect be given to the question if China were to begin to produce her own cotton on such a scale as to enable her to dispense with the Indian article?—Certainly, and that is what she is going to do, apparently.

9646. I see from one of the consular reports that the area of cotton-growing in China is being largely increased?—Yes.

9647. You make a suggestion that the exchange should be fixed at 1*s.* 2*d.* instead of 1*s.* 4*d.*, and you give your reasons fully as to that suggestion, which I will not go into now. You have put them on record, I think, already. Then, allusion was made to some of the other schemes that have been put forward—the Lindsay scheme for instance, which aims at establishing a ratio of 1*s.* 4*d.* Did I understand you rightly to say that, in your opinion, if that is a proper and a natural ratio, no artificial support should be necessary?—Yes, certainly.

9648. And, if it is not a proper and a suitable ratio, you consider it a mistake to attempt to force it upon India by artificial means?—Most certainly.

9649. Mr. Lindsay's scheme is 1*s.* 4*d.* If that is not a natural ratio, would it not be a mistake to attempt to force it upon India by artificial means?—Yes, I think so.

9650. You say that no special measures for acquiring gold would be necessary; that is to say, gold would flow in by the operations of trade?—Yes.

9651. (*Sir J. Muir.*) There is a vast difference between 1*s.* 2*d.* and 1*s.* 4*d.*, so far as the trade of the country is concerned?—The question to my mind is, what rate will the conditions of trade make effective. I hold that trade will not make 1*s.* 4*d.* effective, and it might make 1*s.* 2*d.* effective; and I say further that, as regards the reduction of the rate from 1*s.* 4*d.*, the railway and land revenue will increase by the stimulus given to the export trade; and it is better to have an increased revenue from expanding trade than to increase the taxation. Then there is one other point I might mention. It seems to be supposed that, if you establish a stable exchange between England and India, capital will flow out to India; but I say that capital will only be attracted to India if it can be profitably employed there; and, if the effect of any measures adopted by Government is to injure the industries of India, capital will certainly not be put into them.

9652. (*Mr. Le Marchant.*) Has there been any marked change in the conditions of the production of indigo in India in recent years?—We had three large crops of indigo in the three years preceding the last two years, which has affected sterling prices.

9653. Has there been a tendency in sterling prices for some years to droop, compared with the prices of, say, 12 years ago?—Yes, certainly, there has been a tendency in sterling prices to fall. There has been a tendency in all gold prices to fall in recent years. Partly that may be due to the appreciation of gold.

9654. But is it not the case that indigo fell away somewhat rapidly in price?—I can give you the prices of good consuming Bengal indigo since 1881. In 1881 the price of indigo was 6*s.* 9*d.* per lb.; that is good consuming Bengal indigo. In 1882 6*s.* 6*d.*; in 1896, 4*s.* 3*d.*; in 1897, 4*s.*

9655. I think there was a corresponding fall in other indigo?—I have not the prices here for other descriptions, but the sterling prices of all classes of indigo have fallen.

9656. Would you attribute that to any cause especially affecting indigo? Have the inferior qualities tended to supplant the superior qualities, and reduced the demand for them?—The finest indigo, as I say, goes to Russia and France; it does not come to England.

9657. Is it not the case that discoveries in the process of dyeing have enabled the inferior qualities to be used to a greater extent than formerly?—Well, dyers in this country are, I think, going in more for the cheaper indigos.

9658. And that would tend to lower the average price, would it not?—Certainly.

9659. Would you consider that the area of use for indigo was limited?—Yes.

9660. And that any supersession of the natural indigo by artificial would have consequently a more marked effect?—Certainly.

9661. It has been suggested, I think, that artificial indigo may be very much reduced in cost of production and price; that is an apprehension?—That is an apprehension, yes.

9662. Supposing you have a constantly cheaper price at which a competitive article can be placed upon the market, do you think it would be a wise thing to endeavour to meet that by a lower rate of exchange?—A lower rate of exchange would enable the Indian product to be supplied at a lower cost.

9663. For the time being; but if the cost were still further reduced in Germany?—Well, it would become a case of which could survive.

9664. But you think the method of lowering exchange is a reasonable way of meeting the greater competition?—Lowering exchange benefits all products in India that compete with those of other countries. I do not quite follow you. Do you mean to say that it would be desirable for the Government to go on lowering exchange——.

9665. I understand your suggestion to be that a lower rate of exchange, by enabling Indian indigo to be laid down more cheaply in London, would be a desirable mode of meeting German competition?—It would be an effective mode of meeting it for the time being. I have stated that I think there is a limit to the benefit from the fall of exchange. As soon as the rupee depreciates in relation to the volume of commodities in India, it will cease.

9666. Then you would wish exchange to be such that the rupee price of indigo should remain without alteration, not that it should rise?—I do not want the rupee price of indigo to fall by an artificial rise of exchange or an artificial value given to the rupee.

9667. Then what would be the effect of lowering exchange? Would it not be to maintain the rupee prices of indigo?—Yes, or increase them. The rupee prices of indigo have been lowered by the rise in exchange.

9668. What would be the limit to the advantage of lowering exchange?—When the purchasing power of the rupee generally in relation to commodities falls, as it might have done had the mints remained open.

9669. In fact you would not wish to see higher rupee prices generally in India?—Well, rupee prices have been lowered by raising exchange. As to certain commodities—indigo for instance, which competes, say, with the artificial dye and with indigo from other parts of the world—I should like to see the price of it rise; or, to put it in another way, I do not approve of the rupee prices of Indian products being lowered by an artificial rise in the value of the rupee. The action of the Government in India has raised exchange and has lowered the rupee value of indigo, but it has not affected the sterling price, which is regulated by the supply and demand and competition with other countries.

9670. Guatemala indigo is much less in the market now, is it not?—I am not acquainted with that.

9671. But that indigo has not been affected by currency at all?—I am not acquainted with these currencies.

9672. You mention in your paper the competition of cheap cotton from the United States?—Yes.

9673. Was that cheapness of production owing to the general conditions of production in the United States?

—I believe so. I have quoted a reference to that: "A reference appeared in one of the daily papers last "week to the unprecedented cheapness of raw cotton "at the present time, and in explanation of same it "was stated that an exhaustive report, furnished by "bankers in the Southern States of America, estimates "that in most sections the cost of production is only "about one-half what it was 10 years ago, the pre-"sent price—five cents a pound at port of loading—"yielding consequently about the same profit as "double the price did a decade back." The general conditions, apparently, of production are such that cotton can now be produced at about half the cost that it could formerly.

9674. That is in a gold-using country?—Yes.

9675. Would lowering exchange (or depreciating the currency) be a satisfactory way of meeting that competition?—Well, I hold that the low exchange enables India to compete better with a country where the cost of production is lower.

9676. In the two cases, the causes of low prices are different?—It is all a matter of the cost of production. If the United States can produce cotton at half the cost that it could 10 years ago, it is in a better position to compete for the supply of cotton to the world than it was before. India, on the other hand, by the raising of exchange, is put at a disadvantage in that competition.

9677. Would a low exchange be in the long run the most effective means of meeting the difficulty?—It is a means of meeting competition.

9678. If the United States were still further to cheapen the production of cotton, what then?—Then it is a case of competition—which could supply it cheapest.

9679. In fact, the method of meeting it by low exchange would extend up to a certain point, and no more?—Exactly.

9680. Is it your opinion that rupee prices have fallen?—They have fallen within this last year. Up to the time of the closing of the mints, or probably a little later, the purchasing power of the rupee had not materially changed. That is the conclusion I have come to. Rupee prices are now falling, according to the reports that we have.

9681. Has your attention been directed to the Government tables giving the result of prices taken in the aggregate?—This is the latest information I have. It is set out in my memorandum, but may I read this extract from the "Review of the Trade of India in 1897–98"? "The prices quoted for rice and wheat "are at the end of the period of scarcity, and hence "the great decline, but the average price last year for "both was higher than in 1896–97. All the other "commodities mentioned in the table also show a "marked fall in price."

(*Mr. O'Conor.*) That is alluding to the prices of exports at a port. In the table I supplied I have given the prices of grains in the interior of the country.

(*Witness.*) I am speaking of the prices of exports, which are the only ones affected by exchange.

9682. (*Mr. Le Marchant.*) You were saying that rupee prices, at all events of certain commodities in certain places, have fallen?—Yes, they have lately.

9683. And you attribute that to the closing of the mints?—Yes, or the rise in exchange. It is borne out by Mr. Finlay in his evidence. He said they quite expected there would be a fall in prices from the closing of the mints. I have quoted from one of his answers: I say, "It is contended, as "the reason for adhering to an exchange of 1*s.* 4*d.*, "that prices have adjusted themselves to that rate "(Mr. Arthur, 2,033), and it is stated that trade will "adjust itself to any rate (Mr. Finlay, 3,039), rupee "prices falling as exchange rises;" that is what Mr. Finlay says.

9684. Would not that mean general rupee prices—rupee prices throughout the country?—The prices obtained for articles exported affect, to a more or less extent, the prices ruling throughout the country.

9685. But do you find that they have affected them in such a way as to produce a general fall?—This book, "The Review of the Trade of India in 1897–98," is the latest information I have on the subject. Of course the conditions of the last two years were abnormal, and can hardly be taken as a criterion of the normal state of affairs in India.

9686. I think that is eliminated in our tables?

(*Mr. O'Conor.*) Yes. This table of prices here has reference to the level of prices in 1873; and the general rise of prices in India may be taken as anything between 7 and 30 per cent. Those are the prices of the seven principal food grains, taken from a very large number of districts, from the year 1873.

9687. (*Mr. Le Marchant.*) Now, comparing 1873 generally with June 1896, the figures which I have before me, and which go over the whole ground, show a rise in the index number from 700 to 1,000, in round figures?—Yes. There is not much variation if you go back to 1876, 1880, 1891, 1892, and 1893; then there was a rise in prices in 1894–95.

9688. Would that be so, if you took the periods of three years and averaged them? In the earlier years are not the numbers, as a rule, lower?—You have got here 1897 and 1898. There was an increase of prices in 1897, and a fall again in 1898.

(*Mr. O'Conor.*) 1897 was the famine year.

(*Witness.*) Quite so.

9689. (*Mr. Le Marchant.*) But the other intermediate years are at a lower figure?—Well, there may have been some special reason for it. That is not explained.

9690. Or there may have been special reasons for the higher years?—Yes.

(*Mr. O'Conor.*) The higher years include the years of the great famine, 1876 and 1877.

9691. (*Mr. Le Marchant.*) In referring to the Government statistics, you quoted a remark that no explanations are given of this great mass of figures?—I was referring to an article I saw in the *Economist*, in which they said they had tried to analyse the figures, and they complained that the figures were not very clear.

9692. In the statistical returns of the English Board of Trade, are there any explanations or comments given?—I do not know at all.

9693. In the Government publication from which you are reading, are there not comments and explanations?—In the "Review of the Trade of India" some explanations are given.

9694. So that anyone who wishes can find there whatever explanations the Government can give?—If they searched for them, certain explanations would be forthcoming.

9695. The explanations take up a considerable portion of the page, I think? Now, with regard to an expression towards the close of your memorandum where you speak of a "natural exchange," you allude to the lowest point to which exchange fell in 1892, and then you appear to infer that the natural level would be one that approximated to that?—That is my belief. I have not got very satisfactory figures to go upon, but I think the indications tend to show that that was about the natural level.

9696. Why is the level more natural at that particular time, when exchange fell, than in other years?—Because it is the exchange required by the conditions of trade.

9697. Of that time?—For instance, I have said that I do not think the conditions of trade will maintain an exchange of 1*s.* 4*d.*, whereas it might more easily maintain an exchange of 1*s.* 3*d.*, and might more easily still maintain an exchange of 1*s.* 2*d.* The position of India, as I look upon it, is quite exceptional in this respect; that it has a large foreign indebtedness which it must meet by its exports, and to enable it to meet that debt it must continue to export large quantities of produce in excess of what it imports; therefore, if you check the exports, you affect India's ability to pay its indebtedness.

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9698. And you think the imports would be materially increased by a rate of 1*s.* 4*d.*, instead of 1*d.* or 2*d.* lower?—Certainly.

9699. Would that be owing to India having command of more sterling in England with which to buy imports?—No; there would be an equilibrium; that is to say, India could only buy to the extent that she exported; and, if the imports were cheapened, there would naturally be an increase of volume, and she would probably not be able to export produce sufficient to meet her debt.

9700. How would those additional imports be paid for?—By the exports.

9701. But I think you were saying that the sterling proceeds of those exports would be rather less, if anything, than more?—I do not quite follow you.

9702. I thought your view was that at a rate of, say, 1*s.* 4*d.* the exports would be less than at a lower rate?—Yes.

9703. So that, unless there were a change in sterling price, there would be less sterling at the command of India to buy with?—Yes, and therefore she would import less.

9704. But I understood you to say that India would import more?—She could not import more than she could pay for, but she might import as much as she exported, and leave no balance over.

9705. The payments by the public for imports, and the payments by the Government on account of home charges, are all ultimately made out of the sterling proceeds of exports?—Yes.

9706. And there is a certain competition between the Government and the public for the command of so much of those sterling proceeds as each may require?—Yes.

9707. And we may exclude from consideration the mechanism of exchange, and say that the Government buys, and pays rupees for, one part of the sterling value which is at the command of India, and the public buys, and pays rupees for, the other part?—Yes.

9708. In principle, would not the process be the same, whatever the rate of exchange?—Well, there would be competition between, say, the Government and the commodities imported into India; in other words, the exchange which the Government would have to accept might be very much lower.

9709. I am excluding that consideration for the moment. The process would be the same at any rate of exchange?—The Secretary of State competes with importers of commodities into India, and the effect of that competition would be that, if there were not sufficient exports to pay for both, either imports would have to fall in price, or the Government would have to accept lower rates of exchange for their bills.

9710. But I wish to ascertain why people who wish to import into India should have greater advantage in competing with the Government at, say, 1*s.* 4*d.*, than at 1*s.* 2*d.*?—A greater advantage?

9711. The assumption that imports would displace Council bills, means that the public who import would obtain command of a greater proportion than before of the sterling proceeds of exports in London?—From the higher rate of exchange, importers into India derive a benefit in the laying-down cost of their goods. It cheapens the goods in the laid-down cost in India.

9712. Are you taking rupee prices in India as remaining the same, or as tending to be reduced by the restriction of the currency? If the rupee price of imported goods fell in India, would not that tend to counterbalance the rise of exchange and leave things very much *in statu quo*?—Supposing the cost of an article imported into India in sterling is 100*l.*, and exchange is 1*s.* 4*d.*, that article can be laid down in India at less cost at 1*s.* 4*d.* than it could be at, say, 1*s.*, because the rupee price would be lower, and it would depend upon how far the rupee price fell, as regards the quantity of that article that would be imported into India, or how long its importation could go on.

9713. And the tendency of the rupee price to fall would, to that extent, counteract the tendency of imports to increase owing to a rise of exchange?—Yes, certainly.

9714. Now, comparing the position of the Government with that of the public, if we assume that rupee prices are to some extent lower, would not the rupees with which anyone in India contemplated paying for imports have cost him more—or, in other words, would not the consumer in India have fewer rupees to spend?—He might have fewer rupees; but, take the country as a whole, the country as a whole must pay for imports by means of exports. If it has had fewer rupees for the quantity exported it will have less available to pay for imports.

9715. I was rather dealing with the difference between the position of the Government and that of the purchaser of imports?—It is not a question of the purchaser of imports, it is a question of the exporter from England of commodities. The question lies between him and the Government in selling its exchange bills.

9716. I thought we started by assuming that there was a certain amount of sterling proceeds of exports available in London?—Yes.

9717. And the question was, why should the Government be at a greater disadvantage in obtaining command of a portion of that at 1*s.* 4*d.* than at 1*s.* 2*d.*?—Because the commodities have to compete with the Government; that is to say, the imports can be laid down in India at a lower cost with an exchange of 1*s.* 4*d.* than with an exchange, say, of 1*s.* 1*d.* Therefore, to that extent, the Government suffers in its competition with commodities.

9718. If the rupee rises in sterling value through the supply of currency being less, relatively to the work it has to perform, will not that condition affect rupee prices generally and thus remove the special advantage which importers might otherwise derive from a high exchange?—Yes, rupee prices generally would be affected, but, as regards importers, the high exchange will make up to them for the lower rupee price, while as regards exporters the high exchange will reduce the rupee prices paid for exportable products, thereby tending to diminish exports, until the competition between importers and the Government for the proceeds of the reduced exports leads to the fall in exchange required to restore exports again to the necessary volume.

The witness withdrew.

Mr. Merwanjee Rustomjee.

MR. MERWANJEE RUSTOMJEE called and examined.

9719. (*Sir A. Dent.*) You represent the Bombay Native Shares, Stocks, and Exchange Brokers' Association?—Yes.

9720. What is your business?—I am a Parsee broker and partner in the firm of Messrs. Merwanjee and Byramjee, dealing in exchange, finance, bullion, and Government securities.

9721. How long have you been in business?—For the last 35 years.

9722. Were you in favour of the closing of the mints in 1893?—I was against the closure of the mints.

9723. Will you give us your reasons for that?—I was personally opposed to the closure of the mints, on the fundamental assumption that India was prospering under the free silver currency, and trade and industry were in a thriving condition. The best answer against the closure was the then existing

prosperous condition of India. There were, no doubt, difficulties in the way of Government to meet the fall of Exchange in respect of their own remittances, but a large majority of the Natives thought that was not a sufficient reason for the closure, and I was much afraid of an adverse effect on the cotton mills, owing to an expected fall in the price of silver and stringency of money.

9724. What, in your opinion, has been the effect of closing the mints?—Government set before them deliberately the task in June 1893, to produce scarcity of money by closing the mints and to reach the goal of 1*s*.4d. exchange, and to maintain it there, so that the public might pour gold into their treasuries, and take rupees from them. This is the object with which they acted as they did, and the question is, have they succeeded? The most favourable circumstances one can imagine as helping that object have come into play since the end of 1896. They incurred heavy expenditure for famine and war, they curtailed their council drawings, and even bought rupees in London to the extent of Rx.1,000,000. The result was that Rx.359,381 worth of gold was tendered to the treasuries. Mercantile credit has been shaken a good deal from January to March 1898, money rose to an unprecedentedly high rate of interest, ranging from 13 per cent. to 24 per cent. per annum on best securities, and that was its current value for some time, although the Bank of Bombay rate was nominally at 13 per cent.; and when all these circumstances, which have caused a great deal of distress to the country, have not been sufficient to pour gold into the country, the question is whether it is wise to persevere in the experiment, I mean the experiment of continuing the stringency or increasing it.

9725. What have you to say as to the currency proposals of the Government of India?—The Government of India evidently believe, to judge from their proposal of March 3rd, 1898, that they will succeed in getting gold by taking further measures to create stringency of money. The plain meaning of the proposal is, in a famishing money market, irrespective of manifold miseries inflicted on trade and Government credit already, to starve it further by drawing Rx. 12,000,000 from public circulation. This is an absurd proposition, and that it has taken the mercantile and banking community of India by surprise is a matter of public notoriety, and I need not enlarge upon it. To withdraw Rx. 12,000,000 in times when Government practically fail to float their own loan successfully of Rx. 1,200,000, when the municipality of Bombay and Port Trust of Bombay have entirely failed to raise their small loans, although the latter offered half per cent. better rate of interest than on its previous loan, and although they are open to accept a reasonable price, when the mills and other industries pay a fixed rate of 8 per cent. to 10 per cent. for 12 months' finance against 5 per cent. to 6 per cent. in previous years—when we plainly see all these serious results of the stringency of money, how can we still further persevere in the direction of tightening the screw and throttling the trade and industry of the country? In the third paragraph of its despatch of the 3rd March 1898, the Government says:—"The average annual "addition to the currency when the mints were "open was about Rx. 7,000,000, of which, how-"ever, a part only, perhaps half, was a permanent "addition, an amount equivalent to the remainder "being removed from the circulation prin-"cipally for the purpose of conversion into "silver ornaments." The meaning of this Government estimate is that Rx. 3,500,000 of currency were added every year to the existing coinage for the necessities of India. If the country were left to automatic currency, it would absorb every year Rx. 3,500,000 of fresh coin to supply its needs. The mint being closed in June 1893, the currency starvation to the country in the five years has been to the extent of Rx. 17,500,000, less about Rx. 2,000,000 coined for the banks immediately after the closure, and Rx. 2,000,000 received from the Currency Department: the deficit has been, in the matter of fresh coinage, Rx. 13,500,000, which alone would have kept the circulation to its normal condition. In the event of the Government of India proposal being carried out, the deficiency would amount to Rx. 33,000,000, and what would be the effect on the country, on its trade and industry, to what extent prices would fall and interest rise, one is at a loss to know, and why all this infliction of misery on the previously happy condition of the country should be brought about.

9726. Can you lay any evidence before the Committee with regard to the stringency prevailing in the beginning of this year?—The stringency of the money market from January 1898 to March 1898 in Bombay, when I was present on the spot, was so severe that it was impossible to sell Government paper or get advances upon it. Our firm was repeatedly asked by a firm of undoubted standing, trading with England and China and other parts of the world, to get advances on Government paper. This firm was always holding more than Rx. 100,000 worth of Government paper for the purpose of raising money whenever it required it. But we were unable to negotiate assistance for them; we did get them the money at times, but on condition of repayment within two or three days, and very often the banks confessed that they were unable to lend owing to want of cash in hand to spare for the purpose. This is a most serious inconvenience to trade. The firm in question, if they had got money, could buy produce or advance to their constituents to facilitate trade. The result of such tightness, it can be easily imagined, would block trade; exports would be slow to move; and importers would find it hard to meet their obligations. There is a large business done by brokers for exchange banks and presidency banks in Government paper for a short settlement ahead, and the brokers avoided as much as possible executing such orders, and requested the banks not to sell paper for delivery on one fixed day, as they could not guarantee payment, and, in fact, portions of such settlements were postponed beyond due date, as nobody would buy Government paper or advance upon it. With Government paper in such a predicament, one can easily realise how difficult it would be to sell other securities. Holders of shares and municipal bonds and other first-class securities could not either sell or raise money on their securities. It was a terrible state of affairs, and would be intolerable in London for a day. I state this at length to point out to the Committee the considerations on which I base my opposition to the Government proposals of March 3rd, 1898. A glaring illustration of the far reaching hardships resulting to India from the stringency of money is furnished by the recent failure of the Municipality of Bombay to float a loan of 29 lakhs at 4 per cent. interest. The municipality has always commanded nearly as good credit as Government paper, and the failure to float its loan is due to the experience of the stringency of money for the last two years, augmented by plague expenditure. Government are unable from the same cause, more or less, to help the municipality. Thus the most urgent works, such as sanitary measures on a large scale, and the improvement of the drainage and dwellings of the poor, which are the crying necessity of Bombay, run the risk of being indefinitely postponed,—to the great danger of the health of the people. I might forecast a similar fate awaiting the new project for the improvement of the City of Bombay, which is passed by Government as an important measure for the health of the people. There is the City of Bombay Improvement Trust started by the Bombay Government to beautify the city and to put it in a sanitary condition, but, unless they could raise money, they could do nothing.

9727. Now, was the stringency of the money market such as to require, in your opinion, measures of relief?—Yes. Whilst on this subject I would suggest that, until the Currency Committee has evolved some scheme of currency or suggested remedial measures, the one urgent step that ought to be forth-

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with [illegible] recommended to the Government of India is, that during the busy season, viz., January to June, the Government should help the trade as much as possible by putting a portion of the public money at the service of the trade. It should be the settled policy of the Government to maintain a very high credit for its paper.

9728. Are you in favour of establishing an effective gold standard for India?—Yes.

9729. At what rate the rupee?—I am personally in favour of a ratio of 1*s.* 2*d.*, and I will give you my reasons for it. It is advantageous to the trade in opium and yarn with China, and other Indian trades competing with silver countries. It will facilitate the reopening of the mints if deemed advisable ultimately, as it will reduce the difference between the gold price of silver and the gold price of the rupee. It will also be favourable to the establishment of a gold standard, as the public will have to pay Rs. 17·2 instead of Rs. 15, to get a sovereign, and thus the owner of a sovereign will get Rs. 17·2 instead of Rs. 15. These are my reasons for reducing the ratio—that, even if you came to a gold standard, it will be better for the country; and, if you returned to a silver standard, it is good for the country to reduce the ratio from 1*s.* 4*d.* to 1*s.* 2*d.*

9730. You favour a gold currency?—Yes.

9731. Could it be established by the Indian Government?—Yes. My view is that Government should open to free coinage either of silver or of gold. I say gold for preference, because, now that the country has suffered so much from the closing of the mints, it is better to go on towards an effective gold currency, if possible. I am a believer in gold currency in active circulation with Imperial guarantee and assistance, or, failing that, in the reopening of the mints to silver. It is time now the Imperial Government came forward to assist India in this policy of establishing a gold standard, which, however, she is incapable of undertaking on her own responsibility, as it involves indefinite liability. If I were asked why Great Britain should come forward to help India in this matter, my reply is that the currency question of India does not relate merely to that country, but that the credit of Great Britain is intertwined with the solvency of India. As against that, what is a guarantee of 50 millions sterling to England for the sake of India? This is a question for statesmen to answer, and I need not do any more than point to it here, and merely remark that such a measure on the part of Great Britain would make the union which binds India to England inseparable for ever. My idea is that, on obtaining the Imperial guarantee, the Indian mints should be opened to the free coinage of gold at a ratio of 1*s.* 2*d.*, convertibility of rupees not to be guaranteed until Government has collected sufficient gold. Immediate coinage of gold will relieve stringency and help the trade of the country.

9732. Now, what are your views as regards the reopening of the mints to silver?—I submit it as an alternative measure from myself and not the Association. Failing an effective gold standard, I am in favour of reopening the mints to silver, and in support of my views I would point out what were the trade and revenue figures from 1872 downwards to 1893:—The exports, including treasure, in 1872–73 were about Rx. 56½ millions. The exports including treasure in 1892–93 were about Rx. 113½ millions. The Government revenue in 1876–77 was Rx. 58⅓ millions. The Government Revenue in 1892–93 was Rx. 90 millions. The price of English bar silver in 1872–73 was 59*d.* to 60*d.* The price of English bar silver in 1892–93 averaged 37*d.* Silver fell in 20 years from 59*d.* to 37*d.* or by 22*d.* per oz., and export trade expanded from Rx. 56½ millions to Rx. 113½ millions or an increase of Rx. 57 millions. Revenue expended from Rx. 58⅓ millions in 1876–77 to Rx. 90 millions in 1892–93; in 16 years, an increase of Rx. 31⅓ millions. These figures, no doubt, point to great prosperity of the country during the time when silver was falling. I do not mean to attribute the prosperity to the fall of silver alone, but this much can be said with certainty, that the fall did not hamper or check the development and prosperity of the country, or the expansion of the Government revenue. The circumstances were not grave enough to prevent Government from meeting the charge for exchange. In 1872–73 it paid Rx. 743,000 as charge for exchange. In 1892–93 it paid Rx. 10,070,000 as charge for exchange, nearly Rx. 9,000,000 more, whilst the revenue increased Rx. 31,500,000 in 16 years. The fact stands out clearly that the country and the Government were flourishing during the time the fall of silver was going on, and Government were quite able to pay their way. What we have seriously to consider is this question. Now, if it is an established fact that the country prospered under the open mint system, and, if Government were able to meet the loss in Exchange, is it safe and warranted by past experience to reopen the mints in future? It would conduce to the continued progress and prosperity of the country.

9733. Then, if the rupee fell in the way you indicate, how would you propose to enable the Government to meet its obligations?—Such a loss can either be met by a saving in expenditure, or by fresh taxation, or both, and I would suggest that a committee should be appointed by the Government of India to consider these points in detail. A mixed committee of Englishmen and Natives combined would carry with it the confidence of the country.

9734. Are you prepared for the fall of the rupee to a lower figure than 10*d.*?—The Government should meet the circumstances as they arise, as they met them in the past. In 1887 and 1888 the Secretary of State drew 14,628,540*l.* at 1*s.* 4·927*d.*, realising Rx. 20,817,667. In 1895 and 1896 he drew 18,742,216*l.* at 1*s.* 1·597*d.*, realising Rx. 33,080,876. The charge for Exchange in 1887 and 1888 was Rx. 6,135,127, the charge for Exchange in 1895 and 1896 was Rx. 14,338,660. A difference of Rx. 8,203,533 has been met by Goverment in eight years without resorting to any unbearable taxation, and it is reasonable to suppose that Exchange will not go under 10*d.* at once on the opening of the mints.

9735. What are your views as regards a duty on silver, or prohibiting the import of silver into India?—India has been a great absorber of gold and silver for generations past. The innate desire to import silver into the country continues unabated after the closure of mints, and it is now importing as much silver, if not more, as it did before the closure of the mints for its general use. The Government of India has been very wise hitherto in not interfering with this habit of the people; and, in spite of all advice to the contrary, have not increased the import duty on silver nor checked its importation in other ways. Gold and silver ornaments are regarded as a source of happiness by the people of India. Silver is now a commodity as much as any other imported into India, and the Government has no more right to deprive the people of their liberty to enjoy the possession and use of this great factor of their happiness, than they have to interfere with other commodities. The prohibition of silver importations into India would cause the people to become discontented. Any increased import duty on silver would seriously injure her mill industry, which finds a market in China, and likewise all her industries which have to compete with silver currency countries. My view is that the present policy of leaving silver alone is the best, and it meets with the wants and wishes of the vast population of India. Leaving the rich alone, to the poor of India the possession of silver is not only a great luxury, but it is a sort of bank to put their savings in. Would it be wise to deprive the poor man of the power of buying silver, or to depreciate further that which he possesses? The Government of India after the closure of the mint have not tampered further with silver. But, in its despatch of 3rd March 1898, it proposes to melt Rx. 20,000,000 and sell the metal for the price of Rx. 12,000,000. Such a process would obviously cause great depreciation of silver in India and at the same time in England. Now, the question is:—Can the

Indian mills which find a market in China for their production stand any further strain, which will be caused by such a depreciation?

9736. How does the price of silver affect the Bombay mills?—The fall of gold price of silver in London has an adverse effect on Exchange between India and China, if gold price of the rupee does not fall in the same proportion, and the fall is all the greater when there is a rise in the gold price of the rupee and a fall in the gold price of silver at the same time. Let me point out how the mills are faring in their China Exchange since the closure of the mints. 1893–94, 197 average rate in August for 100 dollars. 1894–95, 197 average rate in August for 100 dollars. 1895–96, 199 average rate in August for 100 dollars. 1896–97, 186 average rate in August for 100 dollars. 1897–98, 143 average rate in August for 100 dollars. On the 2nd July 1897, bar silver in London was $27\frac{9}{16}d.$ and China Exchange $159\frac{1}{2}$, on 27th August 1897, silver fell to $23\frac{3}{4}d.$, and China Exchange went down to 133. Average of silver for three years, 1893–95, was $29d.$, and Exchange in India on London was $1s.\ 1\frac{7}{8}d.$ for the same time. Average of silver in 1898 is $27d.$ in London, and the price of India Exchange on London $1s.\ 3\frac{7}{8}d.$ There is a fall of $2d.$ in silver in London, and at the same time a rise of $2d.$ per rupee in Exchange, resulting in a fall of 20 per cent. in China Exchange. These falls in Exchange inflict a great loss on merchants trading with China, and such downward fluctuations do great harm to mill industries, with the prosperity of which the prosperity of Bombay is bound up in a great measure. Serious loss of money is inflicted on merchants having trade relations with China, and they suffer in their credit when there is a sudden and great fall of silver in England. There can be no doubt of the hostility of these merchants, if they find that such loss is deliberately inflicted upon them by the Government of India, if they carry out their policy of March 3rd 1898. The mill industry of India is threatened with great competition by China and Japan. Japan already competes largely, and China is going to erect mills on a large scale in the near future. The Indian mills have thus the prospect of a severe rivalry to face. The industry deserves every favourable consideration at the hands of Government with such dark prospects before it. It is an industry which, since the ruin which overtook Bombay at the end of the American War in 1865, has been its mainstay, and has enabled the city to retain its prominent position both as a centre of industry and in respect of the public-spirited generosity of its citizens. I respectfully submit that the Committee bound to take into its most anxious consideration the danger that may accrue to that industry by any decision it might arrive at antagonistic to its interests. It has been argued that cheap silver would make China rich, and she will be able to give higher price for Indian yarn. This argument will not avail in future, as China is going to manufacture its own yarn. With this prospect in view, and considering that between the tea and mill industries Rx. 50 millions are invested, it behoves Government to protect those industries against the further depreciation of silver, which would strike at their very root. Already the mill industry is passing through very gloomy times. There are heavy stocks of yarn in China remaining unsold, and the general body of mills is only just able to make both ends meet, and some are even said to be working at a loss, in proof of which I will read an extract from the market report of the *Times of India Overland Weekly Edition*, 6th August 1898:—"The mill industry is still in a bad way, "and is passing through a very severe crisis, "owing to the very depressed state of the yarn "market in China. Things are really going from "bad to worse. Never before were such bad "times witnessed, not even during the Franco-"Chinese wars, the Russian scare, or the legislation "of 1893, which by the closing of the mints gave a "severe blow to the industry. Most of the mills are "now working at a loss, some of them manage to live "from hand to mouth, and only a few work at a small "margin of profit. How long such gloomy times are "going to last cannot be imagined. Our energetic "millowners, who in former years, when circum-"stances were adverse to the industry, caused a "great stir and entered into certain movements with "the view to remedy the evil, have of late taken no "interest in this all important matter. Why do they "not unanimously agree to close the mills for two "days in the week, as they did before? This short "time movement, if carried, will in some measure "curtail production, and what is more, control labour, "which is at present a very disturbing and annoying "element in the management of mills. Surely it is "high time now that some measures be adopted." In the report of the Committee on Indian Currency of 1893, at paragraph 120, they say: "We have already "referred to the argument that China might, in the "altered circumstances anticipated, produce for her "own consumption commodities which she now im-"imports, from India. It is alleged that not only "would she do this, but that she would also increase "her production of cotton and other articles, for "which her soil and climate are said to be suitable, "and send them into the market to compete with "Indian products. To this it is replied, and we "think with force, that the want of railways and other "means of communications in China, the heavy and "arbitrary imposts to which production is there "subjected, and other causes, deprive the apprehen-"sions of any very serious foundation." We now see what transformation is going on in China, and the same arguments that were used in 1893 cannot be used in 1898. The future competition of China is a serious matter, and more so to the mill industry of Bombay than to any other Indian trade with that country.

9737. Have you any other observations to make?—Nothing further. But I should urge again that, as I have recommended here, an effective gold currency should be established.

9738. Do you say a gold standard or a gold currency?—A gold currency with Imperial guarantee and assistance. I do not see that there could be much difficulty in putting that scheme into operation. The Government of India, in their proposal of the 3rd March 1897, say: "We have been led by public dis-"cussions in England to believe that Her Majesty's "Government might be willing to entertain the pro-"posal to give assistance to India in some shape "towards the attainment of the object we have in "view. While we cannot plead inability on our "own part to carry our proposals into effect, at any "rate so far as the stage to which at present we pro-"pose to confine them, we think it our duty to "represent that the establishment of a gold standard "in India is a matter of Imperial concern, and that "India may fairly claim that the whole burden should "not be put upon her. We would urge that Her "Majesty's Government should contribute not only "in material assistance, but by creating that greater "confidence which will undoubtedly be the result "of their publicly assuming a share of the liability." The Government of India are ready to go in for a gold standard if they are assisted by the Imperial Government, and, if this Committee will support this view, it is the easiest way of obtaining the establishment of a gold currency on a sound basis. You would thus get the means to obtain the gold, and all troubles would be ended. Of course these things will take time. You cannot borrow the money required to establish a gold standard at once, these things require time; in the meantime I would give it as my personal opinion that the present policy should be continued with a ratio of $1s.\ 2d.$ By the time that you make a gold standard possible, you might reduce the ratio to $1s.\ 2d.$, and see the effect of it—whether you get gold in the country by the time the standard is established. Failing a gold standard, the Association's view is in favour of continuing the present policy, with the proviso that Government should lend, if necessary.

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9739. (*Sir C. Crosthwaite.*) You described the stringency in Bombay during last year?—Yes, up to March 1898.

9740. You are aware that in that year the Secretary of State in Council sold a very few bills only?—Yes.

9741. That probably had some effect on the stringency, had it not?—Yes.

9742. Now he has resumed selling, has he not?—Yes.

9743. Still the Exchange has kept up at 1*s.* 4*d.* or thereabouts?—Yes. As to the reason of the Exchange being higher, I will read a paragraph from a letter addressed to me by Mr. Broacha, the chairman of the Brokers' Association. He says, "One of "our points is that artificial scarcity has but a very "temporary effect on Exchange, unless accompanied "by great preponderance of exports over imports. "Our point has received strong confirmation re- "cently. Although money now is very cheap, and "goes begging at 2½ per cent., Exchange remains "strong in the neighbourhood at 1*s.* 4*d.* This is "owing to the greater preponderance of exports over "imports this year over last year. This year, from "April to the end of July, the export has been "38 crores and imports 20 crores; or the excess "of exports over imports of merchandise is 18 "crores. Last year, from April to the end of July, "the export was only 28 crores, and import same as "this year, namely, 20 crores; or this year there is "an excess of 18 crores during the first four months "of the official year, whereas last year there was "an excess of only 8 crores."

9744. This year the Secretary of State is selling bills freely, and therefore, though Exchange is at 1*s.* 4*d.* or thereabouts, the discount rate in Bombay is only 4 per cent.; that is not a high rate, is it?—No, but last year, at the beginning of December, the rate was 5 per cent., and it went up to 9 per cent. at the end of December. At present the season is not in full swing, so you cannot judge anything from the present state of the money market.

9745. Still, you admit that not selling the bills had a considerable effect on the stringency?—Oh, yes, there is no doubt of that. Of course, it will not be so tight as last season in that way.

9746. Why do you advocate the 1*s.* 2*d.* as against the 1*s.* 4*d.* rate?—I advocate it on the principle that you are going for a gold standard, and I would impress upon you that it is advisable from many points of view. In the first place, take the mill industry, that is an important matter, and take the other trades in which India competes with China.

9747. Your principal reason is that you think that a 1*s.* 2*d.* rate will be better for Indian trade?—I am taking the Indian mills, and trade carried on in competition with China.

9748. Do you think that the 1*s.* 2*d.* rate will materially lessen the competition with China, if China really begins to make railways, and so on?—What I say is, we shall be able to lay down our yarn cheaper than we can now.

9749. Permanently, or for a time only?—In comparison to the 1*s.* 4*d.*, rupee we shall lay down always cheaper. If you fix the ratio at 1*s.* 4*d.*, and you alter it to 1*s.* 2*d.*, you can always lay down the yarn cheaper in China, and that is an advantage.

9750. But do you think it would give us a permanent advantage, or that that advantage would be gradually lost as prices in India rose?—The effect of reducing the ratio from 1*s.* 4*d.* to 1*s.* 2*d.* will be to increase the rate of China Exchange, and to that extent the mills will be always benefited.

9751. You think there will be no great difficulty in establishing a gold currency and a standard?—No, if you get the Imperial guarantee. I think it would go off easily.

9752. We have been told by some witnesses that, if anything of the sort is attempted, large hoards of silver will be brought out, which will sweep up all the gold either in hoards or in ornaments. Do you believe in that?—What I say is that the hoards are mostly with the princes. The hoards that are likely to come out are mostly with the princes and the large bankers. As far as we know, the princes will not do anything against the interest of Government; I am not much afraid of hoards coming out from them, because they can be always watched by the Government. Whether there may be hoards coming out, it is difficult to say; but, if you have the guarantee of the Imperial Government at the back of the Government of India, you will be able to meet all that.

9753. I suppose, if you went to 1*s.* 2*d.*, you would have to raise more taxation?—It ought not to be met by increased taxation, because the Government, when Exchange was at 1*s.* 1*d.*, have been able to pay their way. I do not see why, if you reduce the rate to 1*s.* 2*d.*, that should necessitate fresh taxation. During 1894–95 and 1895–96, Government were able to pay their way at a lower exchange; they need not go in for fresh taxation; they ought to accommodate themselves to the revenue.

9754. Do you know how much was borrowed by Government in sterling in the last two years?—I suppose the whole borrowing since the mints have been closed is about 17 millions.

9755. Is it paying your way if you borrow to that extent?—But the question is whether that was necessary. The Government stopped Council bills in 1893–94, and they went to the London market and borrowed. There was no necessity for borrowing that money. They have been borrowing for famine purposes and for war expenditure, but these are necessities that compel them to borrow. I think, the sooner the gold borrowing is put a stop to, the better. I wish to bring forward one point: that, as long as the present policy is continued, it may be difficult for the Government or for the municipalities or other bodies to borrow money in India.

9756. You mean by "the present policy," closing the mints and doing nothing?—Exactly.

9757. (*Mr. Campbell.*) You spoke of the monetary stringency that prevailed in Bombay last season. Do you expect a recurrence of that stringency during the next season?—No, not to that extent.

9758. Do you expect it to any extent at all?—Yes.

9759. Can you give us any instance of the higher rates of interest that you say were charged on such securities as Government paper and gold?—As a proof of the high rate of interest prevailing, I would say that the Secretary of State sold between the 9th February and the 28th March demand bills for Rx. 1,850,000, and T.T.'s for Rx. 2,310,000, at a difference of one-eighth in his favour, which gives 18 per cent. per annum interest, and the banks had to pay that 18 per cent. per annum as interest to the Secretary of State to lay down money in India.

9760. I was speaking more of the rates charged by the banks?—Further, I asked Mr. Broacha to let me know what was the current rate of interest within those months. He says that the interest on loans on gold was 15 per cent., and selling ready silver and buying for a month was done at as high as 24 per cent. per annum.

9761. That is not quite the same as a loan, is it? That means that a man makes a bargain and gets the bargain extended at that rate?—No. Fresh bargains are entered into. If you have 10,000 rupees in your hand, you can go into the silver market and invest them in silver at the moment, and sell it for a month, and get the 24 per cent. interest. It is not carrying forward anything. You can buy the ready silver and get the 24 per cent.

9762. Still it is more or less of a speculation?—It is not a speculation at all. If you have the money, you can go into the bazaar and sell for the month, and that brings you the 24 per cent. interest.

9763. You say, the rate for loans on gold and securities, such as Government paper, was 15 per cent.?—On gold it was 15 per cent. On Government paper it was very difficult to get money at any price.

9764. You refer to the difference between the Government demand bills and the Government telegraphic transfers as $\frac{1}{8}$th. My information is different to that?—I have given you my information.

9765. Might not that refer to special sales?—These are sales on one day—on Wednesdays.

9766. Is it not the case that, if the Government were selling at a rate for demand, they would always give you the option of taking telegraphic transfers at $\frac{3}{32}$nds higher?—The Government might be quite willing to give you the option, but the banks, seeing that there would be great competition at $\frac{3}{32}$nds, might tender at $\frac{1}{8}$th, and, as a fact, they did tender at $\frac{1}{8}$th.

9767. The difference of $\frac{3}{32}$nds represents an interest of 12 per cent. about?—But the actual sales are at 18 per cent. I can give you the figures. On the same day that the Secretary of State has sold T.T.'s he has sold demand bills at $\frac{1}{8}$th lower. Whether he was prepared to sell at $\frac{3}{32}$nds is another matter, but he has not done so. I suppose the banks being more anxious, and seeing that they must secure the money, offered $\frac{1}{8}$th. The fact is, at any rate, that the Secretary of State got $\frac{1}{8}$th, and the banks had to pay 18 per cent. during that period.

9768. You allude to the mill industry in Bombay. What is the amount of capital invested in that industry?—The amount of capital invested in that industry in Bombay is Rx. 9,000,000.

9769. They work largely, do they not, on borrowed money?—They work on borrowed money.

9770. They require to raise money to lay in stocks of cotton?—Yes.

9771. Do they fix these loans for any period?—For one year as a rule.

9772. What rate do they pay for the year?—Just now we have arranged a big loan at 9 per cent., and another at 10 per cent.

9773. That is, although the bank rate is 4 per cent., they are paying 9 per cent. for a years' loan?—Yes.

9774. On what security?—The agents give their own guarantee in addition to that of the mill itself.

9775. You alluded to the Government loans and Municipal loans. There was a $3\frac{1}{2}$ per cent. loan raised about three months ago of 120 lakhs?—Yes.

9776. Can you tell me what rate they got for that?—The last loan was raised at an average of 94 rupees, 12 annas, 5 pies, the amount was Rx. 1,200,000, and the total tenders were Rx. 1,700,000, and the interest was $3\frac{1}{2}$ per cent.

9777. They originally budgeted, did they not, for 3 crores?—Yes.

9778. Do you think, if they had offered 3 crores at the time, it would have been subscribed?—I doubt it.

9779. If it had been subscribed, would it have been at a lower rate, in your opinion?—Yes.

9780. How does that compare with the previous loans?—In 1896 they floated a 3 per cent. loan for Rx. $3\frac{1}{2}$ millions; the total tenders were Rx. 12 millions; the minimum rate accepted was $102\frac{7}{16}$; the average rate was 103; so that the tenders in that year were Rx. 12 millions against Rx. 1,700,000 this year. It shows that the contraction of the currency is telling upon the securities of India.

9781. (*Sir A. Dent.*) In the meantime there had been the plague?—The plague has nothing to do with this, because the loan is an international thing. London may tender to any amount, if they have confidence, but no sooner does Exchange go to 1*s.* 4*d.* than London is inclined to sell.

9782. (*Mr. Campbell.*) What is the present price of that loan?—$93\frac{9}{16}$.

9783. As against 94 rupees 12 annas, at which it was taken up?—Yes.

9784. Money, you say, is now at 4 per cent. in Bombay?—Yes.

9785. How do you account for the fall in price?—Because everybody is afraid that money will be dearer again later on.

9786. The subscriptions to these loans are paid into the Presidency Banks?—Yes, into the Bank of Bombay for Bombay subscriptions.

9787. How do the Government deal with these subscriptions when they are paid in?—They withdraw them from the Presidency banks, and put them into the general treasury.

9788. That is to say, they remove the money from the open market and lock it up?—Yes.

9789. Do you consider action of that kind opposed to the interest of those who have taken up the loan?—Yes.

9790. Does it tend to lend the money market against the holders of these loans?—Yes.

9791. And lower their market value?—Yes, and suppose a banker in India had tendered for a large amount, and wanted to pay for it and sell it in London, he has no time to do so.

9792. You alluded to the failure of the Bombay Municipal and Port Trust Loan. Is it the fact that the municipal loan was wanted for sanitary public works?—Yes.

9793. Would the failure to place that loan be very prejudicial to the interests of the community of Bombay?—Yes, at the present time it is very prejudical.

9794. It is not issued yet?—It was issued, but it failed; they could not get the money.

9795. Now we have heard a good deal about illicit coinage—the coinage of illicit rupees of full silver value. Have you any information with regard to that?—When I was in Bombay there was nothing much said about illicit coinage, but, after I left, there have been some cases in the police court of illicit coinage. I have nothing important to say on that subject beyond what is before the Committee already.

9796. You have no evidence of any large illicit coinage going on?—No, I have no evidence.

9797. (*Sir A. Dent.*) Have you any reason to believe that illicit coinage is going on?—Well, I was rather surprised when I was in Bombay that there was not much of that illicit coinage.

9798. (*Mr. Campbell.*) Is there not a large demand for silver ornaments all over India?—Yes there is.

9799. You may have seen the estimate made by the Government some time ago that about $3\frac{1}{2}$ crores of rupees were annually melted for conversion into ornaments?—Yes.

9800. That is when the mints were open?—Yes.

9801. Now it is cheaper to make these ornaments from bar silver?—Quite so, nobody can melt rupees now.

9802. And the cost of these silver ornaments is very much reduced by the lower value of silver?—Yes, those who are buying now, of course, are getting the silver at a cheaper rate.

9803. Would you consider that this great cheapening in price may have led to a more extensive use of silver for ornaments?—Oh, yes, for many reasons. There is a cheapening of price, and they might be thinking that the mints would be re-opened, and so they might hoard them. Also there is a great idea among the natives that the present is a good price to buy silver at, and I think that creates a demand.

9804. Then we have heard of hoarded rupees: would the effect of about 50 per cent. more weight of bar silver being obtainable as compared with rupees be an inducement to the holders, of those hoards to exchange their rupees for bars?—It would.

9805. They would get 50 per cent more in weight?—Quite so.

9806. Then we may add to that the knowledge that, if ever the mints are opened again, these bars could be immediately converted back into coins, and what cost them 71 rupees would be turned into $106\frac{1}{2}$ rupees?—Yes.

9807. Have you any doubt that rupees have been largely exchanged for silver in this way since the closing of the mints?—They must have been.

9808. Then, from your knowledge as a broker, would you say that there is always a great deal of speculation in silver among the bullion dealers and others?—Yes.

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9809. And, if there were any idea among these classes of an even probable re-opening of the mints, would not that be a strong inducement to buy and hold silver for that eventuality?—Yes, but my latest information from India is that people are buying silver for ornaments and art work. There is not much speculation going on in silver just now.

9810. But still, would not the profit between 71 rupees and 106½ rupees be a considerable inducement? —Yes.

9811. Taking all these circumstances into account, do you think it necessary to assume a great increase of illicit coinage to account for the large imports of silver into India?—I would not put it down to illicit coinage; at least I have no information on the subject whatever. We were all surprised that there was not illicit coinage, to a large extent, for so many years. It is only lately that we have heard so much about it.

9812. If the people of India were to become fully convinced that the mints would not be reopened, would not this inducement to speculate in silver be removed? —No, I think they will go on speculating because silver is cheap.

9813. But, if it were firmly believed that the mints would not be reopened, would you expect to see a diminution of the present imports?—There might be to a certain extent.

9814. Do you mind giving us your view as to native opinion in India upon the subject of the re-opening of the mints?—Bombay is largely interested in mill industries, and it does a very good trade with China in opium also. The opinion in Bombay in general is in favour of re-opening the mints to silver. If I may judge from that, I should say the feeling of the country would be favourable to reopening the mints.

9815. But your knowledge does not extend beyond Bombay?—No, but, if I may take the commercial people of Bombay, who are the leading community in India, and judge from their feeling, they would be pleased to have the mints reopened to silver.

9816. (*Sir A. Dent.*) You yourself disagree with that view?—My idea is that, if you can establish a gold currency with a guarantee, it would be better to do so; if not, I should go for the opening of the mints.

9817. (*Mr. Campbell.*) Would you suggest a correct means of ascertaining the feeling of the natives of India? —The best plan, I think, would be to address the Chambers of Commerce in India, and request them to get native opinion on the subject. They could easily find it out, because they are in touch with native traders, people connected with commerce and mills, and the shroffs; and, if the Committee ask them, they could get native opinion; they would be able to find it out.

9818. (*Sir A. Dent.*) Do you think it would not be coloured by their own opinion?—No. I think all the Chambers of Commerce can be safely trusted; they are all honourable bodies, and they would submit to you whatever is the correct opinion of the country on the subject.

9819. (*Mr. Le Marchant.*) You were making some reference just now to a statement as to forged rupees? —Yes.

9820. Perhaps you were alluding to the forging of Farrukhabad rupees?—Yes.

9821. They were not used for currency purposes? —No.

9822. They were used for ornaments?—Yes.

9823. With regard to the difference between the rates for telegraphic transfers and for Council Bills, which you describe as having been equivalent to interest at 18 per cent. per annum, were not the higher rates given for transfers on the occasion of special sales, which were subsequent to the weekly allotments, and formed separate transactions?—If you will permit me, I will read you a few of these sales; and you will be satisfied about it. We know that the extra bills sold on off days are for small amounts.

9824. (*Mr. Campbell.*) Sometimes?—Sometimes they are. On the 9th March 20 lakhs of Council bills were sold at 1*s.* $3\frac{29}{32}d.$; on the same day 20 lakhs of transfers were sold at 1*s.* $4\frac{1}{32}d.$ Then on the 2nd March 20 lakhs of bills were sold at 1*s.* $3\frac{29}{32}d.$ and 20 lakhs of transfers were sold at 1*s.* $4\frac{1}{32}d.$ On the 23rd March 17 lakhs of bills were sold at 1*s.* $3\frac{31}{32}d.$, and 32 lakhs of T.T.'s were sold at 1*s.* $3\frac{25}{32}d.$ Looking at a table that I have prepared from a reliable source, I find that from the 9th February to the 28th March the difference paid by the banks against T.T.'s was one eighth of a penny.

9825. But Government were always willing to sell at $\frac{3}{32}$ above the demand rate?—They may be willing, but, seeing the value of money, the banks may have offered more.

9826. Still that does not do away with the fact that the Government were always willing to sell at $\frac{3}{32}$ above the demand rate?—What I say can be easily confirmed. I have taken the statement from a bank's books, and for my own satisfaction, to prove that 18 per cent. was the rate that the banks paid to the Secretary of State. They preferred to take T.T.s to taking the demand bills at $\frac{1}{8}$ less, because they wanted to pay their way. They may have thought that forward demand bills were no use.

9827. They were willing to pay $\frac{1}{32}$ more than they need have done?—Well, in those times one must be sure of getting the money anyhow.

9828. They may have made a bad shot?—If they did not make a bad shot, they might have had to pay $\frac{1}{32}$ more.

9829. (*Mr. Le Marchant.*) What effect do you think has been caused by the fixed gold point of 1*s.* 4*d.*? You may have noticed what has been said as to the "evasion of the maximum"?—Yes.

9830. Do you consider that the effect of fixing a certain rate is to prevent exchange from rising to that limit? If no limit had been fixed, might not transfers have risen still higher?—Yes, and it would have been bad for mills and trades competing with China. If this maximum was not fixed, things would have been much worse for them. As it is, I am not sorry that that maximum is fixed, because it keeps exchange from flying up all of a sudden and then coming down; so that I think that maximum is a check; and, as to those industries that have been suffering to some extent from the closing of the mints, it has been some amelioration to them.

9831. But, in endeavouring to state the effect on the exchange itself, account may be taken of the effect of the maximum that you have just mentioned; that is to say, it has had some effect in preventing exchange falling?—Certainly.

9832. With regard to the system of borrowing on Government paper, is it the custom of many traders in India to keep their capital in Government paper, and to borrow on that when they require funds?—Yes, the rich merchants do that.

9833. In that way they get the interest on the Government paper?—Yes.

9834. And they prefer this course to having a deposit at a bank?—A deposit at a bank is no use. If I am a merchant, and I have my money deposited in a bank, I cannot use it for trade purposes.

9835. Because of the fixed term?—Yes.

9836. And if you do not deposit for a fixed term? —Then you do not get a good rate of interest.

9837. Does that system of keeping capital in the form of Government paper increase the stringency when money is dear? For instance, there would possibly be a demand for advances from many borrowers at the same time?—It is good for the Government of India. Why should the merchants not keep Government paper? I do not see. Because it is the safest security, and it is best for the Government of India that the merchants should keep the Government paper. These very big merchants cannot keep their money in any other form but Government paper, so as to raise money on it whenever they like.

9838. Would not that cause a greater stringency of money?—I do not think so. The fact of people

holding Government paper in India has nothing to do with the stringency of money.

9839. But when they want money in an emergency they are compelled to borrow?—They are compelled to borrow. There must be facility for them to get the money. It is a good thing that people keep the Government paper, I think, because it is for their safety. I do not think it is a bad thing.

9840. It has a tendency to increase the number of borrowers when money is required?—Certainly. If many people have Government paper, it increases the demand for money, no doubt.

9841. And there were circumstances at the time of pressure, I think you have already mentioned, which caused the supply of money to be short. The banks had not been provided with resources by Council bills and other means?—They did their best to supply themselves with means, but there were not the channels to get the money for trade purposes, and it was a question of whether it would pay to get Council bills.

9842. Or to import gold?—Yes.

9843. It is a question of price—of cost?—It is a question of cost certainly, they would hesitate to bring it up to gold point.

9844. Many people may have anticipated that exchange would fall again rapidly. Exchange had risen from 1*s.* 3*d.* to about 1*s.* 4*d.*, and it was natural to anticipate a fall when the pressure was over?—Yes.

9845. That would be a reason for London houses objecting to buy exchange at that price, and for their not sending sterling out at what might be the top of the market?—Quite so.

9846. And equally a reason for borrowing in India for a short period, expecting exchange to become more favourable after the crop season. Traders would prefer to supply their immediate requirements for money by short loans in India?—Quite so.

9847. Rather than to convert sterling into rupees at 1*s.* 4*d.*?—If anybody wanted to convert sterling into rupees, it would be a disadvantage.

9848. To part with gold for rupees would have meant getting only 15 rupees for the sovereign?—They would not do it.

9849. And the same motive would make them hesitate to buy exchange on India from this side?—Yes.

9850. So that at the time the chief strain was thrown on borrowing?—Quite so.

9851. Do you think also that the difference between the rate of 1*s.* 3*d.*, at which exchange had been about the turn of the year ——?—It was in last December 1*s.* $3\frac{1}{32}$*d.*, then it suddenly went up.

9852. May the sudden rise of about 1*d.* have operated to cause a subsequent fall—a reaction—to be anticipated?—Yes.

9853. So that there would be more objection to deposit gold after such a sudden rise than there would be if exchange had been ruling at 1*s.* 4*d.* for a considerable period?—If I may speak from the experience of last season, when exchange was at gold point, that is over 1*s.* $4\frac{1}{16}$*d.*, everybody thought it was the time to buy gold and keep it—not to give it to the Government.

9854. And that was to some extent owing to the fact that the rise had been sudden?—No, it had reached a point from which there could be no further rise in exchange, and that was the principal reason why people at that point would rather buy gold than sell gold.

9855. Does that feeling still continue to the same extent?—Well, I have left India for the last six months, and I do not wish to say definitely what it is at this moment, but I think the same feeling would continue, should circumstances be the same.

9856. Would it partly depend upon the prospects of future exchange? Suppose it were thought that exchange would remain at about gold point, there would be less reason for converting rupees into gold?—Well, how could you create that sort of feeling, I want to know. You cannot create the feeling that it will remain at 1*s.* 4*d.* or 1*s.* $4\frac{1}{8}$*d.* for a long time. People must have reasons to judge, and then they would not convert the rupees. As long as they are not satisfied on that point, they would go on converting the rupee into gold, but there must be some facts to go upon.

9857. What kind of facts do you think there could be?—Supposing we have 1*s.* $4\frac{1}{8}$*d.* exchange now, why should it not go down to 1*s.* $3\frac{1}{2}$*d.* after two or three months? Can anyone give any reason for it?

9858. If, on the other hand, it were lower, would not the same argument still apply, that it might fall?—It would depend on the circumstances of trade and the money market at the time.

9859. What is the estimate of the trade position now?—Just now, of course, there are big crops, and they expect a large export season, and I suppose people are sending money there while the rate is under 1*s.* 4*d.*; but, if it goes over 1*s.* 4*d.*, I think people would not send money; they would think that they ought to wait—I mean until the necessity arises. As we have seen, last season a man would rather pay a higher rate of interest, and amongst bullion dealers they carry a large amount of gold at a big rate of interest rather than sell it. There is a point when there is a temptation to buy sterling—when it goes over 1*s.* 4*d.*

9860. As an exchange operation, or as an operation in gold?—For both.

9861. Do you think any circumstances would counteract that? Perhaps you consider that the particular mode you mention of introducing a gold standard would be an effective way of dealing with it?—To stop them from buying?

9862. No; to create confidence in the maintenance of the rate?—Comparatively there would be much greater confidence.

9863. You mentioned that the price of Government paper in India was higher some time ago than recently?—If you wish to have some of the figures, as this is an important matter, I will give them to you. The quotation in May 1896 for $3\frac{1}{2}$ per cent. paper was 110·4; the quotation in May 1897 was $103\frac{9}{16}$; the quotation in May 1898 was $94\frac{1}{2}$.

9864. Would you ascribe the difference directly to the limitation of the currency?—What I say is that, if there were no new loans, the rate would not be so low as that, comparatively; but the present rates represent the closure of the mints together with the new loans floated. If there were no new loans floated, the price would rise again. Of course, in the present state of the market in India it would rise. If this season Government had not floated the new loan, we should have seen much better rates for Government paper than we see now.

9865. So that it is the supply of additional loans, together with the effects of the closing of the mints?—The supply of additional loans and the closing of the mints, taken together, make the present rate of the market.

9866. In the ordinary conduct of busines in Bombay, do you make payments by cheque or by currency notes? What is the usual system of payment?—Among the English mercantile community the rule is cheques; among the Native mercantile community it is more in notes.

9867. Are notes coming into more general use in Bombay?—I think so. There is as much confidence in the currency notes as in actual coin.

9868. Do you consider it desirable that notes should be issued by the Government, as commanding more confidence than if issued by any other body?—The present system has the entire confidence of the public.

The witness withdrew.

Adjourned.

TWENTY-SECOND DAY.

Tuesday, 29th November 1898.

PRESENT:

The Right Hon. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr. J. Galloway.

29 Nov. 1898.

MR. JOHN GALLOWAY called and examined.

9869. (*Chairman.*) You reside at Glasgow, and you are President of the Glasgow Chamber of Commerce and Manufactures?—I am; but I wish it to be distinctly understood that I do not appear here in my official capacity.

9870. The evidence you are going to give us to-day is evidence in your private capacity for which you alone are responsible?—Exactly.

9871. You can, however, tell us whether the question of the Indian Currency has been considered at all by the Glasgow Chamber of Commerce?—It has been very fully considered. I should say it has been more fully considered than any question which has come before the Chamber for the last 15 or 20 years at any rate. It came up before a committee of the directors first of all, and a long discussion took place upon it. There were two motions proposed: one in favour of the re-opening of the mints, and the other in favour of a gold standard. A number of the directors who were present did not see their way to vote at all, but, of those who did vote, six voted for the establishment of a gold standard, and four voted for the re-opening of the mints.

9872. The directors, I suppose, are a committee of their whole body?—The managing committee of the whole body.

9873. May I ask how many members there are of the body of directors?—There are 36. Then, after that, it came up before a general meeting of the Chamber and was discussed there, and it was remitted back to the directors to be considered. In consequence of that remit, it came up before the directors, and they discussed it for a considerable time and appointed a committee in order to consider it and bring up a report. That committee met and considered it carefully, and they found that the opinions were so divergent that they could not come to any conclusion, and they remitted it *simpliciter* back to the directors again. It came before the directors after that, and they again discussed it carefully, and they found they could not come to any decision, and they remitted it back to the whole body of the Chamber to be considered by them; they remitted it back *simpliciter*. The Chamber met and it was considered there again. There were three motions proposed: one for the re-opening of the mints; another in favour of the gold standard; and the other motion was that, owing to the fact that this Committee had not yet fully examined into the question, the Chamber should not come to a decision until the full evidence was taken. The movers of the two first motions withdrew, and the last motion became the finding of the Chamber. That is the position in which the matter stands at the present moment.

9874. When did all these discussions commence?—Three or four months since.

9875. After this Committee was appointed?—Yes.

9876. All this that you have been telling us took place after the appointment of this Committee?—Yes.

9877. I suppose the views you are going to express, although they do not represent the views of the Chamber of Commerce, yet do represent the views of a considerable number of your members?—It is very difficult to give anything like the proportion, but I should say that I represent the views of, at least, half of the Chamber.

9878. Now, have you in your business any direct connection with India?—I have a direct connection with Burma.

9879. Will you tell us in what capacity?—Until about five years ago, when I retired from business, I was senior partner in the business of P. Henderson and Company in Glasgow. That firm for upwards of 45 years has conducted the trade between Glasgow and Rangoon, first by sailing vessel and then by steamer. They also initiated the Irrawady Flotilla Company in 1865. The Irrawady Flotilla Company navigates the River Irrawady and its Delta. In connection with this business, and in connection with our representatives in Burma, I know the trend of trade, both between Scotland and Rangoon, and also the inland trade of the country.

9880. As the result of your experience, what is your opinion of the policy of the Government of 1893 in closing the mints?—I strongly approve of it.

9881. Would you give us your reasons for that?—I approve of it because of the great amount of friction and annoyance and loss that resulted to large numbers of trades in connection with Burma through the fluctuation in the rupee. The fluctuation in the rupee was such as to turn trade into a perfect gamble, and the consequence was that those who were engaged in that trade never knew what was before them; they did not know when they entered into a particular contract but that, before the contract was completed, the rupee would have fallen and would have involved them in a loss. In addition to that, the strain has been very great; so great that, as you are aware, the Bengal Chamber of Commerce petitioned the Indian Government to intervene.

9882. Apart from any question of the ratio as between gold and the rupee, what I understand you to say is that the inconvenience arose from the absolutely unstable exchange?—Exactly; and I have spoken to a very large number of exporters, manufacturers, and dyers connected with the West of Scotland, and I may say they are unanimous, with one or two exceptions, in condemning the policy of re-opening the mints, as bringing back a state of things that they felt was extremely hurtful to their interests.

9883. I suppose that a good part of the trade of Burma is with gold-using countries?—I understand that in that respect it is something like India, nearly the whole of the trade is with Great Britain.

9884. I think we have it in evidence before us that above 80 per cent. of the trade of India is with Great Britain and with other countries having a gold standard?—I would say that the trade of Burma is in a greater proportion with gold-using countries.

9885. Do you think that the falling rupee has stimulated the exports from India?—Well, I would say yes, and I would say no. I have no doubt whatever that the falling rupee has had a good effect at first upon a number of exports. It is quite possible, I do not know all the trades of India, but it is quite possible that some of them have been permanently benefited, and there are others where the adjustment of prices and other things coming in have taken away the extra profits, and there are other exports which have received permanent damage. If you take the jute trade of Dundee: suppose when the rupee was at 2*s.*, I had gone to a Dundee manufacturer with a ton of jute and six sovereigns. He would have given me for that, a ton of manufactured goods, and he would have spent the six sovereigns in the manufacture—in wages. Suppose I had gone to a manufacturer in Calcutta, and suppose that at that time he could have done the same thing: if I had gone when the rupee had fallen to say 1*s.* to the Dundee manufacturer, he would still have done the same thing with the six sovereigns; but, if I had gone, when the rupee was at 1*s.*, to the Calcutta manufacturer, he could have done the thing cheaper, because in the meantime the rupee had fallen, and his wages instead of being 6*l.* would only have been 3*l.* In that way the Dundee manufacturer is handicapped, and all foreign manufacturers are handicapped; and in this matter, as you are damaging the interest of those who take the jute, naturally you damage the export trade in jute, and, if it goes on to a certain length, you will strangle the trade altogether, and in that way do permanent damage to the export of jute.

9886. What you mean when you talk about the wages, I suppose, is this, that the Calcutta manufacturer would be able to buy for three sovereigns the number of rupees which, supposing the rupee had remained at 2*s.*, he would have had to give six sovereigns for?—That is so.

9887. He would not have raised the wages?—He would not have raised the wages. Then, again, take the tea trade; that is another illustration of the same thing. I have no doubt whatever that, when the rupee began to fall and continued falling, the tea-growers got large profits, but these large profits stimulated the planting of tea gardens, and the consequence is at the present moment there is an over-supply of tea, and the market is glutted. Now, it matters not although the rupee were to fall further, so long as there is a glutted market, you cannot increase the exports from India. These are two illustrations of the way in which this law acts—that is, that, when the rupee falls, it does not necessarily benefit all the export trade of India.

9888. Now, how has it affected the imports?—The whole of the imports have undoubtedly been injured in the first place, because, until the prices were adjusted, the people had sent them out on the old basis; in the meantime the rupee had fallen, and the consequence is that they came in for loss. I have spoken to a large number of exporters in Glasgow, and they spoke with very great bitterness on that subject, and stated that in their experience it was not only the irritation and the annoyance and the consequent strain that was put upon them in arranging their business transactions, but also that serious loss accrued from it.

9889. Are there any other trades you would like to mention that have been injuriously affected by the falling rupee?—There are some other trades. Wherever there is a business in India financed from England, the return from which is in rupees, and the part which represents the profit, the working expenses on this side, and depreciation, has to be remitted to this country, then there is a decided loss accruing to these trades. It is quite apparent. When the rupee was at 2*s.*, one thousand rupees gave 100*l.*, but when the rupee had fallen to 1*s.*, if it did fall to that, one thousand rupees only gave 50*l.*, and the consequence is that a great deal of loss has accrued. These interests are made up of oil wells, the coasting trade, railways, and river navigation, and there may be others.

9890. Has there been any recouping of this loss by advancing prices?—There is in a number of trades, but not in all. There has been a recouping in prices, but that recouping results in an injury to India, because it is actually throwing a tax on the whole population of India; that is, that in India, when the manufacturer who sends out goods from this country increases the price of his goods in order to recoup himself for the decreased payment in rupees, the native who gets no more, or a very little more, for his wages, is obliged to pay a higher price for his European goods.

9891. He is obliged to pay more rupees?—More rupees.

9892. And he does not earn any more rupees; his power of earning the rupees remains the same and he has to pay more rupees for what he buys?—Exactly, and that, as is well known, acts as a restriction on trade.

9893. Then, taking your statement just now that 80 per cent. of the trade is with gold-using countries, does that mean that the bargains are concluded, both imports and exports, entirely upon a gold basis?—The merchant who sends out from here makes all his transactions in gold, but, when he has to deal with the natives, they make their transactions in silver.

9894. But are their calculations based on the gold value of that silver?—Do you mean the calculation of the natives?

9895. Yes?—No, certainly not. They know the rupee and they know nothing more. For instance, if our steamer going up the Irrawady takes on board 100 passengers, those 100 passengers simply know the rupee, they know nothing of the gold standard or gold currency.

9896. There you are dealing with the internal trade. I want you to confine yourself for a moment to the foreign trade. Let me put these two cases. The Manchester man sells to India a bale of cotton goods. The Indian merchant sells to Manchester a quarter of wheat. Are both prices calculated in the first instance on their gold value in Manchester?—I am not in a position to answer that.

9897. You see what I mean?—I see what you mean, but I cannot answer that.

9898. I suppose there is a very considerable trade on the Irrawady from Rangoon to Bhamo?—Yes, it is a thousand miles from Rangoon to Bhamo, and then the Flotilla Company also navigates the Chindwin river, and the towns and villages on the Delta, including Bassein.

9899. Dealing with the internal trade, I understand you to say that practically the depreciation of the rupee has not had any effect on that trade. The rupee remains the same?—The rupee remains the same exactly. You mean the raising of the price to 1*s.* 4*d.* has had no effect?

9900. No, I was going back. What I call the starting point is not the raising of the rupee from 1*s.* to 1*s.* 4*d.*; I call the starting point the reduction to 1*s.* It is now a recovery, it is not a starting point?—Then, so far as that goes, our rates for carriage have remained very much the same; they are somewhat lower in consequence of the opposition of the railway, but, so far as we are concerned, they have not been raised at all.

9901. I suppose you practically could not raise them?—We practically could not raise them, for two reasons: one is, that, the moment we raise our rates, we should at once get the native boat-hirers and boat-owners on the Irrawady coming into competition. In addition to that, we are running alongside the railway, and we could not raise our rates in consequence.

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9902. Now we come to another question about the stringency of currency. Have you had any difficulty in carrying on your business in consequence of the stringency of currency alleged to have arisen from the closing of the mints?—None whatever.

9903. Was there a great demand at the commencement of the famine for rice?—There was. There was a stringency of money in the country for a short time when the demand for rice came, but I think that that stringency would have taken place, even although the mints had been open, because it was a thing quite independent of the opening of the mints. Afterwards, in consequence of the great demand made by India on Burma for rice, the whole of which had to be paid for in rupees, there was actually a redundancy of currency in Burma; and I would presume that that, together with the vast sums sent to the frontier for war and for famine relief purposes, would, in great measure at all events, account for the actual stringency which took place in commercial centres.

9904. Then you would attribute the stringency partly to the money sent to the frontier for war purposes, and partly to money sent for famine relief purposes, and partly to the large sums paid for rice?—I am not prepared to say that the whole stringency arose from that.

9905. But partly?—Partly, certainly.

9906. Has there been any difficulty in conducting the internal trade of Burma in consequence of the stringency of money?—That is a question that I have consulted our agents in Burma very particularly upon, and they answer emphatically that there has been none.

9907. What rate of interest has prevailed in Burma?—At the time that that stringency took place to which I refer, it ran up to 15 per cent.

9908. That was the highest rate?—I understand that that was the highest.

9909. Have you any opinion to give us as to whether any discontent exists among the natives of Burma on account of the closing of the mints?—There has not been the slightest discontent. The fact of the matter is that most of them do not know that the mints were closed, and, even if they were told, I do not think they would be in a position to argue the matter out. I am perfectly confident that there has not been the slightest discontent.

9910. Is there much hoarding of rupees?—The Burmese are quite different from the Indian people, they have different habits altogether. The Burman is a pleasure-loving man, and, whenever he gets a certain amount of money in his possession, he thinks his first duty is to go and spend it; he visits the pagodas, makes votive offerings in the pagodas and shrines; he spends money also in travelling. Of course they have a love for jewels and ornaments, and they spend a great deal of money in these, but hoarding in the sense in which it is understood in India does not take place. I should presume that in India itself, owing to the closing of the mints taking the Government as a competitor out of the road, the native would be able to purchase his ornaments cheaper than he would otherwise have done. So that, so far as that goes, I presume it would be a benefit to him.

9911. Are many of the ornaments in Burma in coins? Do they hang coins round their necks, and so on?—I think there are a few, but it is not so much that as in manufactured ornaments and in precious stones.

9912. If the fall of the rupee were arrested, and it were put on a permanent ratio, do you think that any loss which might arise would be temporary or permanent?—I think it would be temporary, that prices would adjust themselves; putting out of account the benefit that would arise to trade otherwise.

9913. We have had some evidence before us that the trade with China and Japan and the Straits might be affected by adopting a gold standard. Have you any opinion on that point?—I have no fear whatever of that. Statistics show, I think, that that is not the fact; but, over and above that, China has not a silver currency; the currency that it has is copper, if it is anything. Then in regard to Japan: Japan has gone on to a gold currency. As to the Straits, I am perfectly certain that, if India adopted a gold standard and a gold currency, the Straits would follow suit. I feel quite certain that that would be the result.

9914. That would settle, of course, the Straits question; but with reference to the commercial development of China, which is supposed to be in the near future, how do you think it will affect that? Take the case of the tea trade: the Indian tea-planters say that to raise the price of the rupee is to give a bounty to the Chinaman as against the Indian?—I have no fear in regard to the tea trade. Mr. Ralli, when he gave evidence here, mentioned, and I think he was quite correct, that the methods in China were 4,000 years old. In addition to that there is the very large export duty in China, and then there is a want of facilities for carriage, making the carriage to the ports very high. In addition to that there is the greater amount of freightage required from China to the European ports than from India to the same ports. I think that all those matters put together place India in a very safe position, in so far as competition from China is concerned.

9915. I suppose there is also the competition of quality?—There is also the competition of quality, and I understand both the Indian and Ceylon teas are very much better than the China tea.

9916. Your opinion is that the maintenance of the rupee at its present value will not prejudicially affect the trade with China and the Straits, but, if it could be proved that the raising of the rupee injured the trade with those countries, would that affect your opinion?—Certainly not, because the trade with gold-using countries is 80 per cent. of the trade of India. With China and other silver-using countries, it is only 20 per cent. In addition to that, in China and Japan and the Straits, they have a climate similar to the climate of India, raising the same kinds of exports, and therefore there is not the room for expansion in that trade that there is in European markets where the climate is different, and where the products are so different from those of India; and, as the trade with gold standard countries is an expanding trade, it would be folly, independent altogether of its greater amount, to seek to foster the trade with silver countries at the expense of the trade with gold countries.

9917. I gather from the evidence that you have given us that you are in favour of putting India on to a gold standard?—Certainly.

9918. Have you considered the question of the gold standard apart from gold currency, or have you considered it in connection with gold currency?—I have considered it in connection with gold currency.

9919. Do you think it is possible or wise or practicable to establish a gold standard without a gold currency?—I think it would be much better if a gold currency could be got; but that is a matter for currency experts, and I should not like to give my opinion upon it.

9920. Do you think that, if a gold standard were adopted, the habits of the people would remain the same as you have indicated they have remained during all this transition stage—that the rupee is the rupee in India and will be the current coin of India?—Certainly. I have a very strong opinion with regard to that. I suppose you are speaking with regard to some of the fears that have been expressed about a gold currency disappearing through the hoarding habits of the natives.

9921. Yes. Will you deal with that first of all?—With regard to that I have not the slightest fear. The natives have had this habit from time immemorial of hoarding silver coins; and the whole of us know that Eastern habits are habits that remain with the people from generation to generation, and that it is one of the most difficult things to change the habits of an Eastern's mind, or the habits of an Eastern's doings. Therefore, I am perfectly satisfied that the

hoarding of silver will continue. In connexion with that, I may say that I have been in Turkey. In Turkey, gold and silver circulate together; and the Turks are a hoarding people just like the Indians. In that country it is the silver that has continued all along to be hoarded. In the fields of Syria I have seen women with 20*l.*, 30*l.*, and even 40*l.* in silver coins upon their heads—a weight so heavy that they had pads to protect their heads—and it was only in one or two cases here and there that you saw a gold coin. I have travelled through Syria and Asia Minor, and I found the same thing. Of course at Jerusalem and Damascus, where there are so many travellers, you do find gold, and at the large seaports; but in the inland towns you never come across a gold coin: gold does not seem to have penetrated the country beyond the maritime ports, and I am perfectly satisfied that in India it would be the same thing. It would take years and years for the gold currency, if it were established, to go beyond the centres of trade—Calcutta, Bombay, Rangoon, Madras, Karachi—and the vast mass of the people would remain exactly where they are; and with regard to hoarding, even in those centres, I feel satisfied that the great bulk of the Indians would continue to hoard in silver and not in gold: first of all, because of habit, and in the second place because their earnings are small, and, therefore, their savings must of necessity be small; they could not pass a sovereign into hoard; it must be in the shape of a silver coin. Then, in addition to that, when they are wanting to spend their money, these small silver coins are much more handy than gold coins would be. For these three reasons I certainly think that the gold currency would not be absorbed, and would not disappear in the hoards of the natives.

9922. Would that lead you to the opinion that a moderate amount of gold currency would be sufficient?—Certainly; supposing I am right, that takes away one of the great evils that it was anticipated would flow from the establishment of the gold currency, and therefore would naturally make a very much smaller quantity of available currency sufficient for the purpose.

9923. Of course, if everyone who had 15 rupees came and demanded to have the 15 rupees turned into a sovereign, that would make a tremendous call on the Government?—But you can scarcely conceive that every one of the 300 millions of the natives of India is going to rush to the mints with all the silver he has, and get it exchanged for gold. All the more, that the gentlemen who are opposed to me in opinion tell us that the gold standard is a thing that the natives do not want; that the natives do not understand it; that they are not accustomed to it and will not use it, and that the thing will be a total failure in consequence. The two arguments are flatly opposed the one to the other.

9924. Then your opinion would be that the really effective gold currency would be for international transactions and not internal transactions?—That is my opinion. I think that very likely in the course of years the gold currency might penetrate into the country, but it would be gradual.

9925. Have you formed any opinion as to illicit coinage?—That is a matter on which I have had considerable doubts. It seems to me to be a very great temptation to a native to have the difference between the coin value of the rupee and the bullion value, and it would be a great temptation to the Indians to take to illicit coining; but that is a matter on which, I understand, the Government is making inquiries, and I would not like to give a definite opinion upon it.

9926. Reference has been made to the prosperity of other countries under a silver standard. Have you any experience of South America?—I have been in South America and I have travelled over a large part of Argentina. I have talked on this subject with the principal members of the English colony there, with merchants, bankers, and others, and my opinion with regard to it is that the ideas which have been put forward by those who favour a falling rupee are entirely wrong. In the first place, I never, during the whole time I was in Argentina, saw either a gold or silver or copper coin in circulation. Such do not exist. The whole currency is in paper, and the standard is not silver but gold. You could not get better proof of the danger of an unstable medium of exchange. When I first went to Argentina in 1887, the premium on the dollar was 14, that is, it took 114 paper dollars to purchase 100 gold dollars. Before five or six years had elapsed, the premium had risen to 360, that is, it took 460 paper dollars to purchase 100 gold dollars, and the consequence of this was the revolution in which President Selman was ejected from his office; then the Baring collapse came and hundreds of firms out there were ruined. You could not possibly get a better object lesson than Argentina as to the danger of having an unstable medium of exchange.

9927. Have they any gold coins out there at all?—No gold coins at all, neither gold, silver, nor copper. Everything is in paper. I never saw a coin of any kind while I was in Argentina; trade is conducted in paper currency.

9928. Does that apply to internal transactions?—Yes; when you went down to a railway station, for instance, to purchase a ticket you did not know what it would cost.

9929. They added the premium to it?—They added the premium, and you had to give so much more paper. It has been stated that Argentina is a prosperous country. Now the very opposite is the case, although I believe that it is the best of the South American Republics. Argentina has an area equal to the whole of Europe, excluding European Russia. It has some of the most fertile tracts in the world. It has only 3½ millions of people, and it is labouring under a debt which, to a country of such resources, ought to be nothing. Therefore I do not look upon it as a country which can be quoted as prosperous; and over and above that, from time to time there are revolutions there in which the merchants and dealers lose all that they have.

9930. That is politics and not currency?—But the currency leads to the politics. The currency led to the revolution which I have referred to, when President Selman was put out of office. That was undoubtedly in consequence of the premium on the gold.

9931. Have they not constructed in recent years one of the finest docks in the whole world at Buenos Ayres?—They have, but it is all with borrowed money.

9932. It is borrowed money in the sense that the Government have borrowed the money and have built the dock out of it; but does it not pay a very large percentage?—I am not aware that it does.

9933. Now what is your opinion with reference to the proposal to reopen the Indian mints?—I think the re-opening of the mints would be something very disastrous to the trade of India, and in a great measure to the trade of England also. The fall of the rupee from 1*s.* 4*d.* to 10*d.* or 9*d.* would be something too dreadful to contemplate.

9934. I suppose, if a catastrophe arose from such a cause, the effects of the catastrophe would be felt in Liverpool, Manchester, Glasgow, and London, almost as much as they would be in Bombay and Calcutta?—No doubt: the two countries are bound together in such a manner that a catastrophe to one must be felt by the other.

9935. It has been suggested to us that the mints might be gradually opened so as to prevent this catastrophe?—I have no faith in such a course: the moment such a policy is commenced, the whole thing would be discounted and the rupee would drop at once to the bullion value of silver. Whenever you began to bring it down gradually, supposing that were possible, everybody would know what it was tending to, and the whole thing would be discounted.

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9936. You do not think the bankers of London or India would be deceived by a gradual process of that kind?—Certainly not.

9937. What do you say about increasing the taxation of India?—In the first place, I do not approve of it as a free trader, because it is going into the old system of taxing trade. And, in addition to that, it is taxing the multitude for the sake of the few, and I am decidedly opposed to anything of that kind. I am quite certain, for instance, that the tax that is proposed to be put on, would ruin the Dundee mills.

9938. You mean the proposed tax on jute?—A tax on jute would ruin the Dundee mills, and a tax on jute is one of the things which has been pointed out as possible.

9939. You mean an export duty?—An export duty.

9940. Then, I understand, in addition to that, it has been proposed to put a tax on the export of tea?—It seems to me to be terribly absurd, when the tea trade is the principal trade for which all this agitation is going on, to think of putting a tax on tea. To quote a homely illustration, which is very apt, I think, it would be like a dog trying to live by eating his own tail.

9941. I suppose, if a tax were put on tea, it would be paid by the consumer?—It would be paid by the consumer in England, certainly.

9942. Therefore, the proposition is, that the consumers of tea in England are to pay a tax for the benefit of the tea-growers in India?—Exactly. And, in addition to that, there would be this offset, that it would bring the price of Indian tea nearer to the price of good China tea.

9943. As an experienced merchant, having seen a good deal of the public life of this country, do you think it a reasonable supposition that the Parliament of Great Britain would impose such a tax?—Certainly not; but still it has been put forward as a proposition.

9944. Now, as a manager of the Burmese Navigation Company to which you referred, have you had much contact with the exporters from this country to Burma?—I have, and lately I have purposely put myself into communication with them.

9945. I suppose I may say the export firms in Glasgow?—The export firms in Glasgow; and I may say the export from Glasgow to Burma is very large.

9946. Will you tell us what their views are?—You can divide the exporters into two sections. There are the exporters pure and simple, and there are the manufacturers and dyers who not only manufacture but who also export. As I have said, I have put myself into communication with these. I have seen 18 of the principal exporting firms in Glasgow. I may just mention that I did not go to James Finlay & Co. because I know that Sir John Muir sat upon this Committee; but I went to 18 other firms. Of those there were two that were uncertain; there was one that was opposed to the gold standard, and one that partly agreed and partly opposed. The rest of these firms, amounting to 14, gave me authority to state before this Committee, "That they found the "falling rupee extremely disadvantageous; that they "have been much benefited in trade since the rupee "became fixed at or about 1*s.* 4*d.*, and would approve "of a gold standard if it fixed the rupee." I have been authorised to state this on behalf of the following firms: Alexander Reid & Sons, Smith, Smith & Co., Robert Brown Limited, Robert Binning, W. Milne & Co., J. R. Russell, R. Cochrane & Co., R. R. Grier & Co., J. & M. P. Bell & Co., R. F. & J. Alexander & Co., Stephen Robertson, A. & B. Mackay, D. C. Paton & Co., and J. Lean & Sons.

9947. You say "if it fixed the rupee." Do you mean if it fixed the rupee at 1*s.* 4*d.*?—They merely asked for a fixed rupee. Then, in addition to that, I have been in communication with the manufacturers and dyers in the west of Scotland, and these are a very important class. I may mention that three of the firms whose names I have here employ between 5,000 and 6,000 employés; that will give you some idea of their importance. I am authorised by the following 14 firms, manufacturers and dyers of Glasgow, representing nearly the whole of these trades in the Glasgow district, and whose business is principally with India and Burma, to say, "that "they object most strongly to an unstable rupee, "find that their trade has been much benefited since "it became fixed at or near 1*s.* 4*d.*, and would deprecate any action which would bring matters back to "the old basis, whilst they would welcome any policy "which would give fixity to the rupee for the future. "Mr. Kinloch, of J. R. Cochrane & Co., muslin manufacturers; Mr. Alexander Maclaurin, of A. Y. Maclaurin & Co., muslin manufacturers; Mr. J. Pearson, "of J. J. Cochrane & Co., muslin manufacturers; "Mr. John Galloway, silk manufacturer; Mr. J. Frew, "silk manufacturer; Mr. Alexander Balfour, of A. "Balfour & Co., earthenware manufacturers; Mr. "James Fleming, of Cochrane & Fleming, earthenware manufacturers; Mr. Moir, of the Thornliebank "Company, Limited, calico printers; Mr. John Glen, "calico printer; Mr. Turner, of Wm. Turner & Co., "cotton yarn dyers; Mr. T. P. Miller, of T. P. Miller "& Co., Turkey red dyers; and Mr. John Christie, "Mr. Henry Brock, Mr. James Templeton, and Mr. "Maclaurin, all of the United Turkey Red Company, "Limited, comprising the firms of Archibald Orr "Ewing & Co., John Orr Ewing & Co., and Wm. "Stirling and Sons."

9948. Then, is the present period of suspense as to the currency policy of the Indian Government felt to be any grievance in Scotland?—All parties, whether they were for the opening of the mints or not, are agreed that the present state of suspense is very detrimental to trade, and they would certainly like it brought to a close as soon as possible. I may say with regard to the jute trade, in addition to what I have said, there are other things which put that trade in a very hampered position by the falling rupee. I have mentioned how Dundee is handicapped by the falling rupee, and the exports from India put in danger thereby. But in addition to that, they claim that, if you have the rupee at 2*s.*, then a mill in Calcutta would cost 10*l.* per spindle; of that 10*l.*, 4*l.* would be spent in labour in the erection of the mill. If the rupee falls to 1*s.*, that takes off 2*l.* per spindle from the cost of the mill, and to that extent over and above, by reason of the falling of the rupee, the Dundee manufacturers are handicapped as against the Calcutta mills.

9949. And, therefore, they are anxious to arrest the fall of the rupee?—Naturally.

9950. (*Mr. Campbell.*) You were alluding just now to the jute trade. You say that a high exchange tends to favour the Dundee manufacturer as against the Calcutta manufacturer?—The Dundee Mills think that they are placed at a disadvantage by the falling rupee.

9951. Is not that an argument in favour of a low exchange?—The Dundee people consider that if you, by having a falling exchange, handicap them, then it is in reality putting a tax on the export of jute, and benefiting the Calcutta manufacturer at the expense of Dundee.

9952. I presume it is in the interests of India that we are examining into this question now. Would you not say that anything that tended to drive the manufacture of jute out of India and into Dundee is bad for India?—It is really a question of holding an equal balance, not favouring one at the expense of the other, especially when, in seeking to favour India, you injure the export of India's raw material. If you stop the purchasing power of the Dundee manufacturers, they cannot purchase, and as a matter of course it strangles the export trade in jute.

9953. But I suppose the world would use jute goods supplied by Calcutta, as readily as jute goods supplied by Dundee?—It is possible that they will.

9954. Therefore if you do anything to favour the manufacture of jute in Calcutta, as compared with its manufacture in Dundee, you give India the benefit not only of growing jute, but of manufacturing it?—

You may do that, but you are doing it at the expense of Dundee, and I do not see that it is right to do that.

9955. The point I want to make is this. If a high exchange would handicap India in favour of Dundee, is not that an argument against a high exchange? If a low exchange would benefit India at the expense of Dundee, is not that, from the point of view of India, an argument in favour of a low exchange?—There should be no benefit conferred on one at the expense of another—that is in the end bad commercial policy.

9956. You are connected with several large steamship companies in India?—Yes.

9957. Of course you must have suffered considerably by the fall of exchange in the matter of remitting home your freights?—Yes.

9958. Have you found that this has been made up to you in any other way?—It has been made up in this way: we trade in Burma, and after the conquest of Upper Burma the country was developed very rapidly, and we have benefited very largely in consequence of that. Had it not been for the development of Burma in consequence of the change of Government, we would certainly have been in a very poor position.

9959. Then you attribute your prosperity more to the development of trade than to any other compensations?—I do.

9960. You agree that 1*s.* 4*d.* ought to be the rate?—It appears to me to be a reasonable figure.

9961. As regards the rate of 1*s.* 4*d.*, are you aware that the Government of India did not come to any final decision on that point in 1893?—I was not aware of that.

9962. Their proposal left the rate open to be fixed by the light of future experience?—I was not aware of that; but, taking it as it is, I think it is a very fair compromise.

9963. One object of the currency scheme was, was it not, to attract gold to India for currency purposes?—I know that was considered part of the scheme.

9964. Has it succeeded so far in doing that?—It could not possibly do so, because we are in an interregnum—we are in a time of transition, and no person who has gold to send there will do so until the medium of exchange becomes stable.

9965. But gold does go out there to some extent now?—I know it does, for certain purposes; but in the way you are speaking of, and in the way that the Government want, it would be absurd for people to send it out.

9966. It goes into the country because a better price can be got for it in the bazaar?—Exactly.

9967. Would not that be an argument in favour of 1*s.* 4*d.* being too high a rate?—No, it would be merely an argument that, the sooner the present state of suspense is put a stop to, the better. Instead of the banks removing their capital to this country, they would return to their old habit of having their capital in India with the view of lending it out for the development of the country.

9968. Would any capital go to India unless it was considered certain that the Government would be able to maintain the rupee at 1*s.* 4*d.*?—I am going on the supposition that this is a thing that will be accomplished. I am saying that when once the present state of suspense has come to an end, and when the Government has established a gold standard, with the rupee as a subsidiary coin linked to the sovereign at the value of 1*s.* 4*d.*, then the banks will return to the habit that they had previous to the falling of the rupee; that is, they will take back their capital to India for the purpose of loaning it out for the development of the country, and I suppose the capitalists will do the same as the banks.

9969. Then, how is Government going to manage that?—That is a matter for experts and not for me. I understand that the Government think they are perfectly able to do it, and I have faith in them. Then, again, I argue in this way, that if Germany, with the vast number of little States of which it was made up, and with the vast number of different coins that were in circulation, made the change from a silver to a gold currency, and unified that currency, I think the British Government will be able to do it also.

9970. But Germany was very much assisted by the large indemnity paid by France in gold, was she not?—To a considerable extent that was the case, but that indemnity is still unused; they have it hoarded up against any contingency in the future.

9971. Would you approve of the Government of India borrowing gold in order to establish a gold currency?—Certainly.

9972. You would?—I would.

9973. That is, they would borrow gold, take it out to India, and offer to let it out at 15 rupees to the sovereign?—Exactly, the sovereign for 15 rupees.

9974. Suppose the balance of trade were to go against India, in which case gold at that rate would make a good remittance home, would there not be a chance of the gold going away from the currency and returning to this country?—Of course, that is a danger that exists in the case of Germany and France and the United States, and would exist with any other country.

9975. But would there not be more danger of gold remitted in that way leaving the country again than of the gold which might be attracted to the country naturally through the ordinary operations of trade?—I do not think so, because the gold would, of necessity, get into circulation, and, in circulation, it would be in exactly the same position as the gold in any of these other countries.

9976. You say, there was no great monetary stringency in Burma?—There was none, excepting at that one period when the sudden demand came from India at the commencement of the famine for rice. The demand was very great, and it came suddenly, and there was a stringency then for a short time, but only for a short time.

9977. What period was that?—I cannot say exactly, but it was simply at the time of the famine; it was the demand for rice for the relief of the famine.

9978. About a year ago?—It is more than a year ago, in 1896 I think.

9979. Are you aware that from about November 1897 to about April or May 1898, money in Burma stood at 12 or 15 per cent.?—I am not aware that it stood so high as that excepting at that particular period, but I know that both in Burma and India at certain seasons of the year the discount and interest rates did go very high.

9980. (*Mr. Holland.*) I should like to ask a question in regard to one that was put to you by Mr. Campbell just now, touching the jute trade of Dundee and Calcutta, and with regard to the necessity of giving prominence to Indian interests. I suppose if there was a benefit to the Calcutta manufacturer, that benefit would not extend to the labour in the mills?—Only to an extent. I understand that labour has advanced to some extent, but not to the full extent.

9981. Then to the extent of the deficiency, the remuneration of labour would be practically reduced?—Yes.

9982. You are in favour of a gold standard, even without a gold currency, if a gold currency should not be found attainable?—I think that a gold standard with a gold currency is the thing that ought to be aimed at, but, if that is found to be impossible, I would certainly have the gold standard without the gold currency rather than return to the old system of things.

9983. In the course of your evidence you mentioned Argentina as an instance of a country where, although they had a gold standard, there had been a great deal of instability?—That instability would not have occurred, I think, if they had had a silver subsidiary currency; but they had a worthless paper currency, and that currency was issued just at the will of the Government in a great measure. When they were in

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straits they set the printing press to work and flooded the country with so many more notes.

9984. So that that is not the kind of gold standard that you would like to see adopted in India?—Certainly not.

9985. If there is to be a gold currency as well as a gold standard, would you admit the necessity of having the gold and silver on an equal footing in regard to each being legal tender for an unlimited amount?—That is a matter that belongs more to India than to here. I cannot speak with certainty as to that.

9986. You say in your evidence that Turkey-red dyers in the west of Scotland would welcome any policy which would give fixity to the rupee for the future: do you think that they would welcome such a policy even if it involved an international arrangement with the United States and France?—That is the bimetallic question. I suspect that if you were to introduce that question amongst them, you would probably find a difference of opinion, but I really cannot say what their opinion would be. With regard to myself, I am very strongly against it. What was before their minds when they signed the statement I have read was the policy by which a gold standard and a gold currency could be introduced into India. I can say for certain that that was what was before their minds when they made that statement. Such a thing as a bimetallic arrangement was not before them.

9987. (*Sir A. Dent.*) With reference to what you said about an export duty on tea from India, which you thought would be a very iniquitous tax, what would be your answer to the Indian and Ceylon planter who says that tea is already taxed by a 1*s.* 4*d.* exchange, and who also adds: "I would sooner have a "duty of 5 or 10 per cent., and my silver at bullion point, "than be taxed as I am by an exchange of 1*s.* 4*d.*"?—It seems to me to be a contradiction in terms for an arrangement to be made by which the rupee should fall for the benefit of the tea-planter, and that then you should put a tax upon him, destroying to a certain extent the benefit that you give him. It seems to me to be a contradiction that the two things should be coupled the one with the other.

9988. He thinks that a tax of 5 or 10 per cent. would put him in a better position than he is in now?—No doubt.

9989. Then about the Straits. You say that, if India were to go on a gold basis, the Straits would no doubt seek to follow suit?—Yes.

9990. Have you any special information about the Straits?—I have spoken with merchants dealing with the Straits, and that is their opinion. I was speaking to a merchant this morning, and he emphatically gave it as his opinion that the Straits would be glad, if India got a gold standard, to follow suit.

9991. Have you seen all the debates in the Singapore Chamber of Commerce on that subject?—I have not.

9992. In Singapore itself it seems they are very much divided?—It appears to me, whatever their opinion may be on this question, that they would be obliged to follow suit. It would never do, I think, for them to be on a silver basis and India on a gold basis; the connexion between the two countries, as well as between them and England, is too great.

9993. (*Sir D. Barbour.*) You said that, owing to the fluctuations in exchange, trade had been reduced to a gamble?—Yes.

9994. I daresay you are aware that evidence has been given by other persons to the effect that they were able very easily to get over that inconvenience to trade, chiefly by fixing their exchange forward?—I am aware of that; when I said it was reduced to a gamble, I was simply repeating the opinion of the exporters in Glasgow. In addition to that, they tell me that very frequently, when they had covered themselves forward, they found they would have been better off if they had not covered themselves forward—that they had really fallen into a trap. Moreover, it is plain that either the exporter or the bank must suffer, so that there is a loss either way.

9995. I am not arguing against your view. I was merely pointing out what others have said, in order that you might have an opportunity of expressing your views upon the subject?—I explain it in that way, and I am just repeating what has been said to me by the Glasgow exporters.

9996. Have you any practical experience of this matter yourself?—None. I am a carrier, not a merchant.

9997. I think you said you found that you could not raise fares and freights on your navigation steamers in order to meet the fall of exchange?—No.

9998. That is owing to competition by the boatmen and by the railways?—Yes; principally by the railway.

9999. I suppose that raising fares and freights has the effect of rather limiting the total amount of business?—It has, and I may say that, as the country advanced, and even before we had to face these oppositions, we reduced our fares of ourselves, because we did not consider that it was good policy to take advantage of the position that we were in.

10,000. Even when the rupee was falling in value, you found that, by lowering fares and freights, you got a larger amount of business which compensated for the reduction?—No, I did not say that. This company has been in existence since 1865, and therefore before the rupee began to fall. It was previous to that that I am speaking of. We did, on several occasions, in order to help trade, lower our freights, but since the rupee began to fall, the loss has been very serious to us.

10,001. Since 1873 you have not lowered fares or freights, is that so?—We have not lowered fares or freights.

10,002. Not since 1873?—Not since 1873. I am wrong in saying that we were not forced to lower our freights in consequence of the action of the railway. What I meant was that we did not lower freights for the reasons which, as I have explained, influenced us before; it was not in the hope of securing an increase of trade, it was in consequence of the railway lowering their rates.

10,003. I suppose you, acting independently of the railway, could not profitably raise your freights and fares?—No, unless to certain places not touched by the railway. Generally we could not.

10,004. And, on the other hand, I suppose the railway, acting by itself, could not raise its freights and fares either?—No, unless to certain places.

10,005. Taking it as a general thing it could not?—Certainly it could not.

10,006. Therefore the persons who argue that the loss to Government by the fall of exchange may be met in India by raising fares and freights upon the Government railways, may possibly be mistaken?—Quite so, and in this case it is so.

10,007. At any rate, it would not be safe to pronounce an opinion upon the subject unless you actually looked into the case of each railway?—Exactly.

10,008. Then you said you were very much afraid of illicit coinage?—Yes.

10,009. Why should there be more danger of illicit coinage in India than in England?—I presume that, being a larger country with a very large population, it would be more difficult to have police supervision; but, of course, as I have said, that is merely an opinion. I merely give it as a passing opinion. Government officials and those who are acquainted with the habits and customs of the people of India, are better able to speak as to that than I am.

10,010. At any rate, have you ever seen a rupee illicitly coined in good silver?—I am not aware that I have.

10,011. Have you ever seen any satisfactory evidence that such a rupee has ever been discovered by anybody?—No, but I may say that a Government official, Mr. Henry, made a report recently in which he seemed to indicate that illicit coinage was going on.

10,012. Does Mr. Henry say that he had ever discovered a rupee that had been illicitly coined in good silver?—No, he only said that he had a suspicion, and, of course, if a Government official has a suspicion, a private individual may have one also.

10,013. (*Sir F. Mowatt.*) Was it not also stated that a rupee made fraudulently from good silver would be so made that it could not be distinguished in the market?—That was stated.

10,014. (*Sir D. Barbour.*) But, although it could not be distinguished, it would be quite possible to detect a man making those rupees and to take the instruments from him?—Certainly.

10,015. You said the fall in exchange damaged the export trade in raw jute from India?—Exactly; that is the natural outcome of it.

10,016. Mr. Campbell asked you whether the result of that was not that the Calcutta manufacturer would manufacture the jute that was raised in India?—Yes.

10,017. I suppose our object should be to hold the scales fairly between the Calcutta manufacturer and the Dundee manufacturer?—Exactly, because the purchase of jute from Calcutta by the Dundee manufacturer is part of the trade of India.

10,018. They are both parts of the same Empire, and if we could get a fair rate of exchange, and could maintain that rate permanently, neither side would gain at the expense of the other?—That is exactly what I meant to say.

10,019. 1*s.* 4*d.* may or may not be the proper rate, but it is a rate which is fair, and, if exchange can be kept at 1*s.* 4*d.*, every interest will be fairly treated, and no interest will gain at the expense of another interest?—Exactly.

The witness withdrew.

SIR ROBERT GIFFEN, K.C.B., called and examined.

10,020. (*Chairman.*) You were the head of the Statistical and Commercial, afterwards the Commercial, Labour, and Statistical, Department of the Board of Trade for upwards of 20 years ending in 1897?—Yes. The name of the department was changed at different times, and the business increased a good deal, but it was always the same department.

10,021. You retired, I think, from the service of the Board of Trade last year?—Yes.

10,022. Previous to being at the Board of Trade, you were assistant editor of the *Economist* under Mr. Bagehot for eight years ending in 1876?—Yes, at the time that great changes were taking place in the monetary arrangements of different countries.

10,023. During the time that the great monetary changes were taking place from the adoption of the gold standard in Germany, the preparations for resuming specie payments in the United States, and the suspension of the silver coinage by the Latin Union?—Yes.

10,024. Mr. Bagehot also took a great interest in Indian finance?—Yes.

10,025. In 1879 you were a member of a committee for considering a proposal to stop the coinage of silver at the Indian mints?—Yes; that was the proposal of the Indian Government, of course, when it took an official form; but it was popularly known as Colonel Smith's.

10,026. I think the proposal then was to raise the rupee to 2*s.*?—That was the idea.

10,027. You wrote a memorandum upon the despatch of the Government of India relating to a gold standard?—That was for the use of the committee.

10,028. It was a departmental committee, I think?—A departmental committee meeting at this office.

10,029. A joint committee of the Treasury and of the India Office?—It was not a joint committee of the two departments, I think, because a good many people connected with India were members, and the Treasury, to the best of my recollection, were not specially represented, though they must have been consulted. I was at the Board of Trade at that time, and Lord Farrer, who was a member, was also at the Board of Trade, and I think we had one or two non-official members, to the best of my recollection, but they were chiefly India Office people who were connected with the committee.

10,030. There are two or three questions I should like to ask you about that memorandum of yours before we come to the question immediately before us, because that memorandum is a standard document in connexion with these matters?—I should say there were two memorandums. The first of these is the one you have printed here. That was specially dealing with the proposal of the Indian Government, and was for the use of the committee.

10,031. This is the "Memorandum on Despatch "of Government of India (No. 423 of 1878) relating "to a Gold Standard"?—Yes. That was the first memorandum and was specially for the Committee. The second one was not so much for the use of the committee, because it went a good deal beyond the reference. It was more for the use of the Indian Government, dealing with their position generally as affected by the fall of the rupee It was handed to Mr. Stanhope, who had been with us at the Board of Trade, but I am not aware that it was really part of the proceedings of the committee in the sense that the first memorandum was. With regard to the first memorandum, that forms part of the proceedings of the committee; with regard to the second, I have no objection—of course, circumstances have changed a good deal, and you must take things as you know them at the time—but I should have no objection to the whole of it being printed now. It is a matter for the discretion of the committee how they would use it.

10,032. Let us just go back to the first memorandum, and let me read you this extract from your remarks under the heading "The Alleged Evils." You say: "Coming to the second point mentioned, the mis-"leading and exaggerated character of the statements "as to the loss of the Indian Government by the fall "in the exchange, the first point to notice is the "assertion as to the probable duration of the present "fall in silver. The despatch asserts that 'the "'current of all the most trustworthy opinion tends "'more and more towards the conclusion that, so far "'as can now be foreseen' (that is in 1878) 'there "'is no prospect of an early or complete recovery in "'the value of silver and, on the contrary, that the "'probabilities are all in favour of a further fall'." At that time, in 1878, silver was at $54\frac{13}{16}d.$ the ounce. Then you go on there to say: "No opinion is cited to "this effect, and, so far from its being correct, the "contrary is undoubtedly the case. The late Mr. "Bagehot, as is well known, was of a contrary "opinion. He held that, from the nature of the "operation, there could be no great depreciation of "silver without an enormous increase of the export "of silver to India, and the demand for silver thus "arising would arrest the depreciation before it had "gone very far. Mr. Bagehot also entertained doubts "whether the rumoured production of the American "mines, which made so much noise several years ago, "would continue, and for this reason, also, he "looked forward to a recovery of silver when "the present causes of temporary depreciation, "such as the sale of the demonetised silver of "Germany, had passed away." Then you go on to say: "The actual falling off in the production of the "American mines has since confirmed Mr. Bagehot's "opinions in a very striking way. Mr. Goschen, it is "well known, while advocating the policy of waiting

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"on other grounds, has also inclined to the opinion "that the price of silver would again rise, at least if "no such measure as that now suggested by the "Indian Government, still farther diminishing the "demand for silver, were taken." Now that was your opinion, and I have no doubt it was your very carefully considered opinion, 20 years ago. What I want you to tell us is whether that opinion is affected, and, if so, how it is affected, by the fact that silver which was then 54*d.* per ounce is now 27*d.* per ounce?—I am very glad that you have asked me that question, because I put it on my notes that probably, when the Committee read over my memorandum, that would be one of the points to which their attention would be directed. What I would like to say upon that subject is this: I think Mr. Bagehot's opinion, and the opinion of those who held with him, was quite justified at the time, but in forming an opinion of that kind you cannot make a judgment as to the entire future, because circumstances may arise—such circumstances, for instance, as those which have occurred with reference to gold in the great discoveries in the Transvaal and the more recent discoveries in Klondyke—which at a given time no one is able to foresee. The opinion which Mr. Bagehot was then expressing, and I agreed with him, was an opinion on the circumstances at the time, and I think that he has been fairly justified by the event; because, although the price of silver is now about 28*d.* instead of 54$\frac{1}{2}$*d.*, the great fall of silver did not come till the year 1892–3; in fact it was simultaneous with the closing of the mint itself.

10,033. It went to 43*d.* in 1888; then it went in 1892 to 45$\frac{1}{16}$*d.*; in 1893 to 39*d.*; then it has been steadily falling from that date. The Secretary of State's bills in 1878 were sold at about 20$\frac{3}{4}$*d.*?—Yes, in 1877–8. In 1878–9, when I was writing, the figure was 19·7*d.*, and, down to 1891–92, they did not fall below 16·7*d.*

10,034. In 1891 the figure was 1*s.* 6*d.*; in 1892, 16$\frac{3}{4}$*d.*; in 1892–93, 15*d.* practically?—The date at which I was writing was 1879, when the price was 52$\frac{1}{2}$*d.*, and the fall, down to 1891–92, was to 45*d.* Of course that is a considerable fall in a certain way, but it is not so extreme a fall as that which the Indian Government appeared to be contemplating, and it is not the same kind of fall that we have had since 1891–92. What really happened, I think, was that some years after Mr. Bagehot's time—a good many years after—the production of silver enormously increased. At the time we were writing, everybody was affected by the demonetisation of silver in Germany and by the operations in France, the Latin Union suspending the coinage of silver, and it was said that, mainly owing to these causes, there would be a great fall of silver. Writing specially with reference to all this, Mr. Bagehot was of opinion that the circumstances were such that the effect of these causes would, to a certain extent, be mitigated in the way he described. I think on the whole that that opinion was very well justified by the event—that you had not the unlimited fall and the kind of tremendous fall which was anticipated in 1879 by other people.

10,035. But Mr. Bagehot's opinion was that there would be no further fall. His opinion was "that there "could be no great depreciation of silver." There has been an enormous depreciation of silver since then?—Chiefly in 1891–92, owing to the increased production of silver which came long after the date at which Mr. Bagehot was writing.

10,036. No. The depreciation from 1872 to the time at which you were writing was about 6*d.*, and the depreciation from the time when Mr. Bagehot expressed his opinion up to 1886 was about another 6*d.*; that is exactly the same depreciation during that number of years as the depreciation which had alarmed the Indian Government. Your argument then was that not much value should be attached to the opinion of the Indian Government, which was that "There is "no prospect of an early or complete recovery in the "value of silver, and, on the contrary, that the pro-"babilities are all in favour of a further fall." I do not want to make it any stronger; I only want to know how you will deal with it to-day—whether it has or has not affected your mind to-day that there has been an enormous fall since then, no matter from what cause. Silver was then 4*s.* 6*d.* an ounce, and to-day it is 2*s.* 3*d.*?—In the second memorandum I discussed hypothetically the probability of an extreme fall. Before we leave this point I should like to call your attention to this. If you look at this table, you will see that when I was writing (that was in March 1879), the average rate of exchange in that year was 19·961*d.* In the following year it was 19·956*d*; in the following year, 1881–82, it was 19·895*d*; in 1882–83 it was 19·525*d*; in 1883–84 it was 19·536*d*; in 1884–85 it was 19·308*d.* So that you had six years of practically the same value of silver as that about which Mr. Bagehot was writing (or rather seven years including 1878–9). Mr. Bagehot wrote in 1876–7, partly at a date when silver had temporarily fallen to 47*d.*, and there was no immediate fall after he wrote of a very remarkable character. I think six years is a very long time indeed to which one can look forward. We do not write, in going into these matters, about what is going to happen a good many years hence; we can only look forward to what is going to happen immediately; and it seems to me that, although silver did not recover further after 1878–9, the actual facts which happened after the time at which Mr. Bagehot wrote, which was in 1876–77, are that, at most, you had from Mr. Bagehot's time a fall from 20*d.* to 19*d.* in the rupee on the average, and after the time at which I wrote you had a stationary condition of things for about six years. Whatever happened after that, I think was due to circumstances which could not very well be foreseen at that time. I admit, of course, that a fall has taken place, but we must not judge after the event altogether in these matters. We must take the circumstances of the time. Looking at it in that way, I think Mr. Bagehot was right, because you had not that immediate fall which people were expecting, but, on the contrary, you had a stationary condition of things for six years.

10,037. I do not think the Indian Government contemplated an unlimited fall. What the Indian Government contemplated was, "that there was no "prospect of an early or complete recovery in the "value of silver, and, on the contrary, that the pro-"babilities are all in favour of a further fall." Mr. Bagehot's opinion was "that the present causes of "temporary depreciation" would pass away, and that there would be a recovery?—I do not think he committed himself to the idea of a recovery, except with reference to the extreme depreciation of 1876–7 when he was writing. That would be an extreme thing to do.

10,038. But at that time the Indian Government's opinion was seriously criticised by the authorities of that day. Now I want to get your opinion whether, after the lapse of 20 years, the facts of to-day do not prove that the Indian Government were right?—I do not think the facts of to-day prove that the Indian Government were right, because what happened since was from causes which they did not foresee and did not pretend to foresee.

10,039. Then you deal with the statement that had been made, that all the important mercantile countries had adopted gold for their standard, and you say: "Unfortunately, a very large part of the world is on "a paper basis still, but the standard in which "countries like Austria and Russia will probably "resume will be silver, not gold"?—Yes, I have been disappointed in that illustration. I think they have chosen very unwisely, but still I admit that I have so far turned out to be wrong in that view.

10,040. Then, again, you say: "The countries "resembling India have therefore not only accepted "the fall in silver as India has done, but one of them, "Austria, has extended its use of silver. The asser-"tions in this paragraph as to the depreciation of silver "are therefore entirely erroneous. *Pro tanto* also, as "is admitted in the despatch, the legislation of the

" United States has been for the increased use of " silver. So far, therefore, from the general tendency " of legislation among the chief mercantile countries " being to diminish the use of silver, the one impor- " tant act in that direction has been the demonetisation " by Germany; all other legislation has either been in " favour of the increased use of silver, or has been for " the protection of a virtual gold standard against the " natural effect of bi-metallic regulations." As you say, nobody can foresee what is going to happen, but there again the course of events has rather proved that the gold standard has extended?—It is quite lately that Austria-Hungary has introduced the gold standard, and it was after many things had happened. It is the same with Russia. The introduction of a gold standard into Russia is quite a new thing. So that I think it is such an entirely new state of circumstances that it cannot have been foreseen in 1879. The point of my statement was that the use of silver had in fact increased, and that was quite true, and is still true.

10,041. But what I want is your opinion, as of to-day, on the two questions as to the fall in silver and as to the extension of a gold standard in the world? —As a matter of fact, I believe the introduction of an improved monetary system in Russia has been accompanied by a considerable use of silver there. They have taken a considerable amount of silver of late years that they were not taking in 1879. They have taken a great deal more gold.

10,042. They have got a great accumulation of gold?—They have got a great accumulation of gold, and it is the same in Austria, I think. But the use of silver was in fact extended a good deal after the date on which I wrote. I think it would have been better for both countries to have gone for gold, and I think it is extremely doubtful whether the gold standard in both countries will be maintained. It has not been tested very much as yet. They are just at the beginning of the operation, but, of course, as a matter of fact, you would call them gold standard countries at the present day, although I am not quite aware that the final step has been taken. I believe in Russia the people still prefer paper.

10,043. I suppose they prefer paper, just as the Scotchman prefers 1*l.* notes to sovereigns?—Just so.

10,044. Now that being so, what do you say as to your views in 1893 with reference to the closing of the mints?—I did not express my opinion publicly at that time, but I was not in favour of the step. Evidence was given by a great many friends of mine in 1892. I may particularly refer to Mr. Gairdner of Glasgow, as one to whose opinions I thoroughly adhered.

10,045. Will you tell us what were the main differences between what was done in 1893 and what was proposed in 1879?—Substantially I do not think there was much difference between the two ideas. The idea was in 1879 to stop the coinage of silver, to close the mints, and then to trust to the gradual contraction of the currency, which would follow from the increase of the population, to its being brought up to about 2*s.* It was then about 1*s.* 8*d.*, I believe; and they thought it would go to 2*s.* almost at once, and a good deal of criticism was directed to show that that was not a sound anticipation. After that, the idea was that gold would become legal tender and take the place of silver to a certain extent.

10,046. What was the exact proposal in 1879? My impression is that the Government proposed to make gold unlimited tender?—I believe that was intended after they got it up to 2*s.* There was not much use in proposing it till the rupee got to 2*s.*

10,047. The sovereign was proposed to be taken as legal tender?—Yes.

10,048. The sovereign was to be taken at 10 rupees?—Yes, but that was rather postponed till the rupee got up from 1*s.* 8*d.* to 2*s.*; it was not an immediate thing, of course.

10,049. Will you tell us, after an experience of five years, on what ground you did disapprove, and as we know you still disapprove, of the closing of the mints?

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—There are two questions. There is the provisional stage, and then there is the question of the gold standard itself. I took a great deal of objection to the reasons assigned for the proposals altogether. I was very much dissatisfied with the reason assigned for the proposal, viz:—that the Indian Government was likely to be, or would be, involved in a deficit which could not be dealt with unless you made sure of keeping up the value of the rupee, and, of course, at that time the idea was not merely to keep it up (I am speaking of 1879) but to raise it to 2*s.* I do not think that in 1893 the proposal was so objectionable, on the ground of raising the rupee from the point at which it stood, as was the proposal with which I was dealing in 1879; because in 1893 the rupee was 1*s.* 2½*d.*, and had only just fallen to that point; and the proposal to fix it at 1*s.* 4*d.*, if that had been all the proposal, would not have been so very objectionable as the similar proposal in 1879. There would have been great objections, I think, to the idea of raising it from 1*s.* 2½*d.* to 1*s.* 6*d.*, because that was a much greater change than the raising of it from 1*s.* 2½*d.* to 1*s.* 4*d.* But the objection to such a provisional state of things was, as I pointed out very fully in my first memorandum, that you introduced a managed currency—a currency that you had to manage; it would not be an automatic metallic standard money, such as was recognized to be the best. Then I pointed out that you could not be sure that such a kind of money would be free from fluctuations itself, and I dwelt very emphatically, quoting from American experience, on the point that probably the provisional state of things would last much longer than the proposers of that state of things expected. I saw nothing in the papers that I recollect as to what idea the Indian Government in 1892 or 1893 had as to the length of time over which the provisional state of things would last—the state of things before the stoppage of the mints would raise the rupee to 1*s.* 4*d.* or 1*s.* 6*d.*, or any other figure that was thought of—but I think experience since 1893 has fully justified the anticipation which I expressed in 1879, that probably the provisional state of things would be much more lasting than people supposed, and that a great deal of harm might happen.

10,050. A great deal of harm might happen in the meanwhile?—Yes, during that period. That was the general idea that I had, but I think, as my opinion about it is being asked generally, I ought to go a little into the question of the necessity of the step altogether. We must all admit that a step of this kind is a very serious thing, and, unless there is good ground for it, it is not a thing which any government ought to undertake. My opinion was based, and is still based, very much on the idea that the proof of the deficit and of the serious disturbance of the finances of the Government has not been sufficient, that the thing ought to have been taken more calmly, and that probably it would have been found after an interval of time that, even with a very great fall of the rupee as compared with gold, the finances of India would have come right. I am disposed to give every credit to the statements made by responsible members of the Indian Government to the effect that the limit of taxation had been reached, and that the only way to avert a deficit in consequence of the fall of the rupee was to alter the money of the country so as to preserve the value of the rupee in relation to sterling, but, I think, perhaps, they proved too much in the case they put forward. What has been done—I am speaking with reference to the evidence which has been given before this Committee by Indian officials, and similar evidence given before Lord Herschell's Committee—is to go over the list of taxes in India, and to show that the land revenue, for instance, cannot be increased at once without breach of contract, and that there are difficulties in the way of imposing new import duties, and so on. I think the matter ought to be looked at in a more general way. It is not merely sufficient to go over the list of taxes in this manner, because, when you have such a great change happening as a fall in

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the value of money, many other changes are certain to happen. You must not reason about the difficulty of finding more rupees now, as if you will find the same difficulty two or three years afterwards when the fall of the rupee has had its effect. Then the difficulty I have in accepting the conclusion that you cannot increase the number of rupees that you obtain from the community of India, or that you cannot increase the taxation, or that you cannot find the means of meeting your gold obligations, is this:—The community of India—the Government and the people together—are not affected in any way by changes in the value of their own money with reference to any foreign money in which their obligations have to be paid. As far as the community of India is concerned, the gold to be paid in London is the same thing whatever their money is. It occurred to me, in writing about the subject at a very early time, to ask this question: Is the position of India, or of any silver standard country, different in any way from that of a gold standard country as regards the gold debt which it has to pay? We see that the government is embarrassed a little, but is the gold debt really a greater burden to them in consequence of the change in the value of money in relation to sterling than is the gold debt of a country like Australia for instance? Australia was very much in my mind at the time I wrote this, and I said, if it be true that a fall in the value of money of a country of silver standard affects its power to pay gold debts, then the position of countries whose obligations are in gold must surely be worse, because everything they have to pay is in gold. Then, if India was worse off in consequence of its gold debt, Australia must be still worse off, because all its obligations, everything it had to pay, was in gold, whereas in India a good deal had to be paid in silver. My view is that the gold debt is paid undoubtedly by the remittance of surplus produce from India, the magnitude of which depends upon the yield of harvests and the value for which the produce can be sold in the money which has to be obtained outside India. What the money of India may be has thus no relation whatsoever to the debt that has to be paid. As between the Government and the people, there may be embarrassment and friction of some kind in providing means to meet the debt, but the debt itself is no greater and no less on account of the money of India being different from that of the money in which the debt has to be paid. Then I put two cases, just as I did in the second memorandum which is before you. If the debt should happen to be increased, as far as India is concerned, by the necessity for sending a larger amount of produce than formerly to meet the debt, this being the result of the increased purchasing power of the gold, the case is one in which there must be increased taxation in some form or other if India is to be solvent. That is a case where the gold debt really increases, and you have to send more produce to pay it. Either there must be new taxes *eo nomine*, or the old taxes must be made to command more produce by an artificial enhancement of the value of your own money; and in either case the final result is the same, there is an increase of the taxation of the people of India of an entirely unavoidable kind. Then I take the second case, that of your money really depreciating. If the case is one in which the same produce has to be sent from India as before, but the Indian Government is not able to command the same produce in consequence of the depreciation of its money, then what the Indian Government loses at the moment, through its revenue not being sufficient to obtain command of the produce required to pay its gold debt, clearly amounts to a remission of taxation of equal amount to the people of India.

10,051. Will you just explain that a little?—I am dealing here with produce. My idea is that, if you send less produce to England, so that you are not quite able to pay your gold debt, then the Indian community, as a whole, has that produce in its possession. It "fructifies in the pockets of the "people"—to use a very old phrase in connexion with these matters.

10,052. Given the same quantity of produce and the same gold price in London, in the one case a certain amount of money in India will buy that gold, and in another case you must double that amount?—Yes.

10,053. But I want to see where you say that that is a remission of taxation?—It is a remission of taxation in that the community of India does not contribute the produce. If the taxes remain the same until you make the change, the people of India do not contribute the produce; the Government is short of so much produce. But what I say is the people of India have it.

10,054. Take a concrete case of sending to London a quarter of wheat, the gold price of which is, say, 2*l*. That 2*l*. would have taken, so many years ago, 20 rupees; it would be worth 20 rupees. Now, assume that the price has altered, so that it is worth 40 rupees. Just tell me how that affects India?—That is a case in which India is sending the same thing, and I am assuming that, owing to the fall in the value of money, the Indian Government is not able to command the same produce. You are assuming that it is able to command the same produce.

10,055. No, I do not want to assume anything. I just want to understand the position before we get further, applying it both to an import and to an export?—Of course, I am applying it to the case of exports.

10,056. What I understood you to say is this—and I do not dispute that for a moment—no matter for what purpose, India has an obligation to find so many sovereigns in London; those sovereigns can only be obtained by the export of Indian produce; Indian taxes are paid in Indian money; the gold has to be provided out of the taxes. If the gold requires twice as much taxation when the rupee is at 1*s*. as it requires when the rupee is at 2*s*., I want you to tell me how that works out; in other words, if India is called upon to find an additional quantity of rupees, how does that amount to a remission of Indian taxation?—India does not send the rupees. I think you are repeating, if I may say so, the first case that I gave you. I quite admit that, if the Indian Government has to send a larger share of the produce of the country, that leads to unavoidable taxation. You must either have it by imposing new taxes, or by increasing the value of the money in which your taxes are paid. But the case I am dealing with now is a case in which the Indian Government sends the same produce.

10,057. The same quantity?—The same quantity and the same value in gold. The same produce must command the same gold in London in the case which I am now putting. The case I am putting is that you send the same produce commanding the same quantity of gold, but the rupees which the Indian Government obtains in India are not sufficient to buy the same produce that it sent before. Then, I say, if it gets rupees that are not able to buy the same produce, but gets a less amount of produce so that it has not got quite sufficient to pay its gold debt in London, that amounts to a remission of taxation to the people of India.

10,058. By the retention of the produce?—By the retention of the produce. I hope I have made that quite clear, because it is a little difficult to follow.

10,059. (*Sir F. Mowatt.*) Of course the result of that is that the debt is not paid?—The debt is not paid, but still the money is fructifying in the pockets of the people. The problem in the case supposed then becomes, not how to increase taxation as compared with what it was before, but how to make the taxation equivalent to what it was before. For this purpose new taxes may be necessary; but this is not new taxation on the community generally: the burden of taxation after they are imposed is not any greater than

it was before the depreciation of the money had taken place.

10,060. Then do I understand that you view the new taxation as a substitute for that part of the produce which remains in the pockets of the people?—Yes. It is to take out of the people the produce which the old taxes are unable to take out of them. For this reason the statements of responsible officials in India that new taxes cannot be imposed in the latter case comes to this: that there is a mechanical difficulty in imposing upon the Indian people, not an increase of taxation, but the same taxation that was imposed upon them before the depreciation of the rupee. This is a conclusion which it seems to me most difficult to accept. In the former case, also, that of a real increase of the burden of India through more produce having to be sent to obtain the gold necessary, I think we must hesitate to accept the statement that the taxation of India can be really increased by means of an artificial enhancement of the value of the money, and that it cannot be increased by imposing openly new taxes. That seems to me to be "a large order," as Mr. Bagehot would have said. Then with regard to the other statements made as to the difficulty of imposing new taxes, I do not feel prepared to go into these statements generally in detail, and discuss the matter with the responsible officials of the Government of India, who have been on the spot and who know the circumstances of the people as I cannot pretend to do. I notice, therefore, merely the question of particular items of revenue on two points. One is with reference to the railway charges. I say we must assume the railway charges, which are charges for services done in the way of business, to be modifiable in a way that ordinary taxes are not. I may mention, with regard to that, that English companies in the Argentine have had that experience, and that they have varied the charges for goods and passengers in accordance with the changes in the value of their inconvertible paper. It is a thing that can be done, and that business people do when the difficulty arises. It seems to me that what private companies can do in the case of Argentina, the Indian Government must also be able to do in the case of its own railways.

10,061. That is to say, raise the fares as the value of the rupee falls?—I mean, you must treat it as a business; and, if you are not getting so much, owing to the rupee being depreciated, you must alter your fares. Of course that is a work of time, and it must be a matter of careful consideration and detail, but the thing is what ought to be done.

10,062. (*Sir D. Barbour.*) You do not mean varying from day to day?—Oh, no.

10,063. (*Sir F. Mowatt.*) Not automatically, varying with the changes in the value of the rupee?—I do not propose anything automatic: that would be quite impracticable.

10,064 (*Chairman.*) But you are not representing that as part of the taxation of India?—It is practically part of the taxation of India. It is a large part of the income of the Government.

10,065. You have passed over the land revenue altogether. I do not admit that the land revenue is taxation; nevertheless it is revenue, and the revenue now from land is 26 crores, which is a very large sum out of the real net income of India; it is a third to a half of it, I think?—I am not prepared, as I said, to go into the question of the revenue of India in detail with the officials.

10,066. I do not want you to do that; but you said that you considered that this was a "mechanical difficulty" with reference to imposing taxation, and, without going into detail, I want to show you that there are only four or five great items of revenue in India. The first item is land revenue, that is paid in rupees as you know, and in Bengal it is fixed for ever; it does not vary at all. In the rest of India where there is no permanent settlement, it is subject to a re-settlement once in 30 years. Now I want to know whether you think it would be possible for us to increase that revenue on the ground of the rupee having fallen in value?—I am not prepared to go into the question of the land revenue or to discuss the whole subject generally. I think it is necessary for me to say that, because it would not be a proper thing for people outside India, like myself, to go into matters of detail of that kind. I am merely mentioning one or two points where, without knowing the particular circumstances of India, one may say that there is something which can be done, and this matter of railway working is one thing about which we have general knowledge and know what happens in other countries. The gross income of railways, according to the Statistical Abstract of India, is a very large item—I think about as large as the income from land revenue; about Rx.25,000,000, is the latest figure I have; therefore it is a very considerable figure, which is absolutely modifiable in my judgment, although the land revenue would not be. That is all I am putting with reference to it, that you must not treat it as if this large item was itself quite unchangeable; because, if the rupee depreciates, this is a sum which I should hold, speaking from general experience, is capable of modification.

10,067. Of course, the Government of India does not own all the railways; there are some companies that were in existence before the Crown took over the government of India, and there are private companies that have been formed since; but you mean, the Government might, so far as its power extended, raise railway rates and fares; that is what it comes to?—Yes.

10,068. But, after all, that is merely a bagatelle in this question. We are dealing with a deficit which is put at from 10 to 12 crores. As you have now raised this question of additional taxation, let me put this to you. In order to enable the Government of India to meet its liabilities, it would require an amount varying from 8 to 9 crores (I think that is the lowest estimate) to 12 crores, which is the figure put by Mr. O'Conor. Now what we want to know when we talk of taxation is, where is it to be found. We know we cannot find it out of the land revenue; we know we cannot find it out of the opium revenue. It would not be wise to double the salt tax. Where is it to come from? You say it is a "mechanical difficulty." Let me put a parallel case. Suppose in this country the Chancellor of the Exchequer, there being no income tax, was called upon to find 20,000,000*l.* a year more; somebody would have to point out to him how it could be done?—No doubt in a country like this, where there is any amount of public discussion and where we know, and are familiar with, the sources of revenue, the Chancellor of the Exchequer would get a good many hints.

10,069. But you say you are putting this consideration on one side?—I am putting it on one side because I am holding a critical position; I am criticising the statements you have made; but it does not follow that I should be expected to tell you how to make up the budget of the Indian Government. That is perhaps rather going too far, but, by way of criticism, when you say that you have got to the limit of taxation, I point out that, as regards one large item of revenue, Rx. 25,000,000, quite as large an item as the land revenue, it is modifiable to any extent, and it seems to me quite clear that, if the rupee was to go down from 1*s.* 4*d.* to 10*d.*, which would be an enormous change, you ought fairly to expect, if that is the real depreciation of the rupee, that these receipts from railway working should be almost doubled.

10,070. (*Mr. Hambro.*) Do you make the railway receipts Rx. 25,000,000?—I quote the figure from the "Statistical Abstract for India." Of course, I am subject to any correction which may be made by those better acquainted with the figures.

10,071. (*Sir D. Barbour.*) I should think it is the *gross* receipts which would come to about that?—There is expenditure on the other side, which would also increase, but there is no doubt you ought to have a considerable increase in that way.

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10,072. (*Sir F. Mowatt.*) Without affecting the traffic?—Without affecting the traffic. You are really putting on the same charges that you have now, but you are providing for the depreciation of the rupee.

10,073. (*Chairman.*) In the year 1896–7—it was better I know in 1897–8—but in 1896–7 the net loss on the working of the Indian Railways was Rx. 2,609,000 owing to the charge for exchange?—As I say, I am not going to make up a budget for the Indian Government.

10,074. No, but I want you to see that this spring, which you think is a good one to tap, is already almost exhausted?—It might happen in this case, as it happens in many other things, that it would be better for the Indian Government to reduce its charges. I do not know how that may be; it is a question of business.

10,075. The suggestion you make, so far, is that by an increase in railway fares and freights there might be an increased profit to the Government of India?—Yes. I am suggesting that by way of criticism, as I have said. Then the other thing I should suggest by way of criticism is with reference to import duties. I know that that has been the subject of a great deal of discussion in India and in this country too, and it has been said that there would be great difficulties with the House of Commons in inducing them to consent to imposing what I should consider would amount to fair import duties in a country in the economic circumstances of India. I have looked at the Indian Customs Tariff a little. According to my experience of Customs Tariffs, it seems to me that the Indian Customs Tariff is one of the lowest that I have gone through amongst countries in a similar economic position. It comes to about something like 5 per cent. *ad valorem*, and a good many articles, I think, are admitted free. I do not think it worth while to go into detail very much, but it appears to me that it ought to be possible in some way to raise a good deal more money than is done in India by means of Customs duties generally, but I speak especially of import duties, as there are great and special objections to duties upon exports. How much could be done is really a question that cannot be settled without going into the whole subject, as the officials in India who would be responsible for the matter would have to do; but, speaking broadly, the fact of a 5 per cent. *ad valorem* rate of duty in India shows to my mind that this source of income has not been gone into and made the most of by the Government of India. With regard to the objection that the House of Commons would not permit you to put import duties on certain classes of goods, what one would say is that, if import duties of that kind are really required in the circumstances of India, the interference of the House of Commons in that way, in preventing the Indian Government raising its income in a proper manner, and compelling them in a way to alter the money of the country, would not be justified. It would show that the House of Commons is not qualified to be the ultimate Government of the people of India.

10,076. I do not think anybody has said that there would be any difficulty in the House of Commons. The difficulty that has been pointed out here is that there possibly would be, and I have had painful experience of it, considerable difficulty with the English manufacturers in relation to any proposition that their goods should be taxed with import duties, unless there were corresponding Excise duties put on in India?—I do not like to speak in any absolute manner about it but I fear that in point of fact the objection has gone a little farther than that.

10,077. As far as it has gone in this room, it is this: Mr. O'Conor, who is the best authority we have on the point, has told us that, if we could double the present Indian import duties, the additional revenue would not come to more than three crores?—But three crores is a considerable item.

10,078. Out of 12 crores?—I call it a considerable item, but, of course, I am not making up a budget for the Government of India.

10,079. (*Sir F. Mowatt.*) But you are contemplating a considerable increase of that sort?—Yes. It might be that, in the case of some goods, you might even more than double the duty. If you go through the tariffs of our other Colonies, and see what is done all over the world, you will see that the import duties of India are not high, but extremely low. Then, I think, in a question of a serious deficit of this kind, so far as I have been able to judge, sufficient stress has not been laid upon the regular growth of revenue in India; that, if you are met by a case of sudden deficit happening from any cause, it is quite possible that, although you may not fill up the deficit all at once, and that would not be easy to do, still, you may know, if you have patience and wait a little, in two or three or five years the natural growth of the revenue may help you very much to fill up the deficit, and that you ought not merely to decide on the actual facts of the moment. That, of course, is again a question of detail for the consideration of the Government of India from year to year, and I am merely making the criticism upon the statements that have been made from time to time.

10,080. (*Chairman.*) I should like to put one figure to you there. In the 20 years ending with 1892–3—that is, ending in March 1893, just before the closing of the mints—there was an aggregate surplus of Rx. 17,000,000 and an aggregate deficit of over Rx. 19,000,000, the nett deficit amounting to Rx. 2,398,000. That was the result of 20 years' finance during the time when India was supposed to be extremely prosperous. Of course that accounts for all the normal increase which you have been mentioning?—That enables me to say, what I have often thought and what has never been dwelt upon very much, that, so far as my judgment goes, Indian finance on the whole has been exceedingly prosperous, that there are very few countries in the world indeed which can show such a good record for 20 years, that actually you have gone through these 20 years with so small a deficit in the aggregate. I think also, if the thing were looked into, it would be found that the permanent burden of India has not been increased in any substantial way even by borrowing for new works, but that considerable conversions of the debt have been effected. I must speak with all diffidence, but I have a strong impression that the permanent indebtedness of India did not increase, or at all events did not materially increase, during all that time, so that I think we may say that India has had a prosperous period. That would be one reason the more for being very careful with any deficit when it comes suddenly, and not to be in too great haste to take quick and rash measures, but to take time to consider what ought to be done. The Government in India appears to me also excessively apprehensive about a sudden deficit arising from a change in its money with reference to gold. I do not wish to speak lightly of financial troubles, but, in a country like India, a sudden deficit ought to be faced calmly, and there ought not to be an attempt, such as would be justifiable in a rich country like England, to meet that deficit at once. Time ought to be taken to give room for the ordinary sources of revenue to grow, and to find out the means of adding to the taxation, if necessary. Some of the mischief in dealing with Indian finance appears to me to arise from the hurry to make good a deficit, which in the circumstances of a country like India should only be attempted by slow methods. The experience and practice of finance in England are not quite models for a stationary country like India, and an example that is more to the point would be that of Italy after its unity was established in 1859–62, where many years passed before the annual deficit with which the United Italy started was finally extinguished.

10,081. (*Sir F. Mowatt.*) "Finally extinguished"?—From their point of view it was extinguished.

10,082. But finally extinguished?—I do not mean that in totally new circumstances you may not have a new deficit, but the deficit which the people who made the unity of Italy had to find in the sixties and seventies was finally extinguished. That deficit was about 15,000,000*l.* sterling upon an expenditure of 35,000,000*l.*, so that it was really an enormous deficit. The financiers of Italy and all the people were occupied for years in finding new taxes. I happen to know the case well, as I had to write a great deal about Italian finance at that time. They made a genuine and honest effort at that time to cover up that deficit, and they finally succeeded; not all at once, but they put the finances of Italy right in about 15 years. No doubt Italy has gone wrong since then, but that does not alter the fact that, in circumstances of great difficulty, they managed, slowly and painfully, to make good the deficit. The last point I shall mention with reference to this question of finance is that there is reason for suggesting in all the circumstances that the whole question of Indian expenditure should itself be reviewed. The statements I have seen are confined almost exclusively to the question whether more taxes can be imposed in India or not, but in financial questions the other side of the matter should be looked at also. It may be the case, and I fear it is the case, that the Imperial Government unfairly charges a great amount of expenditure to India which ought rather to be borne by the Empire in general. The army in India is maintained, not exclusively for the advantage of the Indian people, but also for the general benefit of the British Empire. It may then be possible to make the deficit in India more manageable than has been represented, and thus avert the supposed necessity for altering the money of India. That is perhaps trenching upon the domain of politics very much, and, as we all know, there has been a Royal Commission sitting for some time under the chairmanship of Lord Welby, dealing with the question of what ought to be charged to India and what ought not to be charged in respect of military and other expenditure; but I should like to put very strongly the impression which I have formed that in this matter India substantially is not dealt with in a fair manner, and that something ought to be allowed for the advantage which the Empire in general gets from the existence of the European army in India, which is not exclusively for the benefit of the Indian people. I should say that from 3,000,000*l.* to 4,000,000*l.* sterling is the idea that I have formed as to what ought to be deducted from the permanent charge upon India. This, then, is the main ground, that is the want of proof as to a deficit, upon which I take the objection to the alteration of the money of India, and, of course, there remain all the objections to the nature of that alteration itself. With regard to the first part of it, that of the transitional state which was established in 1893, I think I should confine myself to saying that apparently the objections which I brought in my memorandum of 1879 have been justified so far that you have had a good deal of trouble and distress in India in consequence of the forced contraction of the currency with a view to raising its value. You have had also considerable fluctuations in the value of that monopoly currency since the change was made in 1893.

10,083. (*Chairman.*) Do you mean by fluctuations, variations?—Yes.

10,084. Up and down?—Up and down.

10,085. But is that so?—You had, first of all, the variation from 1*s.* 2½*d.* down to 1*s.* 0½*d.*, I think, in the earlier years after the change was made.

10,086. If I am right, the lowest figure it ever touched was in 1894?—But the change was made in 1893.

10,087. But it did not come into actual operation for 12 months?—Of course I know all the special reasons that are assigned for it.

10,088. But once the thing was fairly started, say in 1894-95, has not the rupee been steadily rising?—After that, yes, but there have been some fluctuations since. I should not like to say that, since the thing was fairly started, as you phrase it, it has been steady, because the period since then has been short; but, taking the whole period from 1893 to the present time you have had a good many fluctuations, and it remain, to be seen whether you may not still have fluctuations—whether this improvement which commenced in 1896, or something like that, will really be so lasting as you think it will be. Up to now you have had fluctuations.

10,089. In 1893 it was 1*s.* 2½*d.*; in 1894-95 it was 1*s.* 1*d.*; in 1895-96 it was 1*s.* 1¾*d.*; in 1896-97 it was 1*s.* 2½*d.*; in 1897-98 it was over 1*s.* 3¼*d.*, and I suppose this year it will be 1*s.* 3½*d.*?—I should have thought almost more than that, but however, after the change was made, I am pointing out that we have not been free from fluctuations, whatever the cause may be. The other things stated in the 1879 memorandum which seem to me to have been fairly justified by the event are, first, the anticipation that you would have times of considerable dearness in the money market whilst the process of appreciation was going on. I hardly remember now whether I said so in my memorandum of 1879 or not, but, as a matter of fact, I think there is hardly a case of money appreciating by reason of a contraction or refusal to add to the amount, in which you have not, at some time or other, had difficulties in the money market. The case I remember best is that of the United States Government between 1865 and 1878, whilst their inconvertible paper was being brought up to gold value. You had several times of enormous difficulty in the money market—great stringencies of money and difficulties of that kind. Then, again, in this country we had some difficulties of the same kind when we were returning to specie payments. I think in Argentina they have had difficulties of a similar kind. With reference to a case that has been mentioned frequently in these matters, that of Java, I believe when the system of making the coinage there equivalent to gold was introduced, you also had a time of very considerable stringency in the money market at the beginning of that period. Whatever may be the cause of stringency in the money market, I do not think you can say that any measure for contracting a currency and making it of greater value is likely to be carried through without periods of considerable stringency in the money market.

10,090. Then about the question of a gold standard?—I have formed an opinion upon two points: the one is as to the question of a gold standard, if it is introduced in what I should allow to be a proper manner, and the other is as to the objections to the particular method now in question of introducing a gold standard.

10,091. Will you take the general question first?—Taking the general question, I am inclined to doubt very much whether a gold standard would in any case be the suitable standard for India. The general objection to a gold standard for India is that the main currency, whatever the standard is, would be in silver all the same, so that silver is the natural standard for India, if we are to secure identity between the standard and the principal metallic currency, which is, in my opinion, a desirable object. I do not know whether I should say very much upon this point of a metallic currency being the same as the standard, but it really is a very important matter.

10,092. It seems to me a very important point, and we should like your views upon it?—I should like to say that this enters into the whole discussions about money in the earlier part of this century in this country. A strong opinion existed against paper issues of small denominations, on the express ground that they would drive money of the standard out of the country, and that you ought to have money of the standard circulating in the hands of the people. I do not think I can give you any reference to any published book on the subject, but that was really the essence of the views of the leading men of those days, about which I can speak to some extent from my

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reading, and to some extent from my acquaintance with Mr. Bagehot and older people acquainted with the currency controversies of that time. They looked with great apprehension upon the issue of notes of small denominations, because the issue of those notes would tend to drive the principal standard coinage out of the circulation. I may say that I found a similar opinion in the course of my reading about currency matters in France. I found that, when the Bank of France was established, in 1803, in the Napoleonic time, the circulation of notes in France was limited to notes of the denomination of 20*l.*, that is 500 francs, and upwards. It did not go below that point, because it was considered injudicious to have notes of small denominations. Afterwards the limit was lowered, but I am speaking here of the state of opinion in the early part of the century. There is an obvious convenience in having actual standard money circulating in a country, and these were certainly the opinions of the founders of the present monetary system in England, and they agreed with the general opinion of that time, that paper of small denominations was not desirable, because it would deprive the country of the coins of the standard substance in actual use in circulation. Even if India had a gold standard, the reserves and the till-money of bankers and leading merchants throughout the country would continue to be in silver (because that is the usual money of the people), and any gold reserve kept in order to maintain these various currencies at a level with gold would be additional to the usual money arrangements of the country. There would consequently be two reserves, one in silver and one in gold, and, apart from the complication, this would be a heavy burden to the community.

10,093. But is not that so in this country at this moment? What does a country banker keep his reserves in; he keeps them in notes, does he not?—And in gold.

10,094. Not much in gold?—In gold to some extent.

10,095. But the great bulk, I presume, of a bank's reserve is in Bank of England notes?—I should not like to go into detail upon a point of that kind, because I believe there are great difficulties in ascertaining what the facts are, but a considerable amount of gold is kept by the banks in this country. I mean considerable in proportion to the total gold in circulation. Even in England, it may be pointed out that there are silver reserves and till-money in the banks, and even copper reserves and till-money, although gold is the standard. These things are unimportant in England, because the gold currency so much preponderates. On that point I think I may mention figures which you will find in the report of Mr. Roosevelt to the American Government, which has been published in some papers upon currency by the American Government. I quote this because I happen to know the origin of that report and the figures that Mr. Roosevelt gives. The silver currency in this country may be taken to amount to something about 22,000,000*l.*, I do not know what the exact figure may be. The circulation of gold is about 60,000,000*l.* I mean by that, gold in the hands of the people, as distinguished from what is in banks and what is in the Bank of England. So that the silver currency in this country is unimportant compared with the gold currency.

10,096. But are you deducting what is in the Bank of England?—No, I was just going to mention what happened. In addition to that 60,000,000*l.*, you have about 30,000,000*l.* in sovereigns in the Bank of England and in the country banks taken together. In addition to that, you have 30,000,000*l.* of bullion in the Bank of England itself—that was two years ago; I do not suppose that the figures will be quite the same now, but the 60,000,000*l.* I spoke of was the gold currency in the hands of the people.

10,097. That is purely an estimate, I suppose; you have no figures about that?—I think to some extent those figures are taken from the Mint report; they are not purely estimates.

10,098. (*Sir F. Mowatt.*) Your figures only give 90,000,000*l.* in sovereigns?—Yes. Practically I happen to know that the report of Mr. Rooseveldt was based to a large extent upon the actual figures of the Mint report, because it was an official report made by Mr Roosevelt to his Government about the circulation in this country; and the figures as to the bullion held in the Bank of England, as distinguished from other bullion, were as a matter of fact obtained by me from the Bank of England for the information of Mr. Roosevelt.

10,099. (*Chairman.*) Your point is that there is a preponderance of gold currency in this country as well as silver currency, and that in India the bulk of the currency must still remain in silver, and therefore you consider the standard should be in the same metal as the bulk of the currency?—That is really what it comes to, but I may also point out this important fact, that, when you have token currency, the banks have to keep till-money at any rate, and sometimes other money, in reserve, so as to meet the demands for these token currencies, and sometimes that may be an important matter. In India, if your preponderating currency is a token currency of silver, you would have to prepare to have a reserve of till-money and token money in silver because of the mere fact that silver was the preponderating currency.

10,100. That, you say, would not reduce the gold reserve which you would have to keep?—If you are to have a gold reserve to preserve the convertibility of your token money into gold, the amount of that reserve would have to be determined on different conditions, and practically the result would be that you would have two reserves. That is what you would have to fear. I may say that, with regard to the possibility of a gold currency which India might use, I regret very much that I see no statement in detail by those who are well acquainted with the circumstances of India, as to what the amount, or the probable amount, of such currency would be, supposing the thing were to be begun to-morrow.

10,101. Are you talking of gold standard or gold currency?—Gold currency. The impression I gather from the evidence of Lord Northbrook—which I have had the opportunity of reading—is that in his opinion a certain amount of gold would come out and be used as currency in India. The point I am on now is, what figure would you put upon it?

10,102. There are three possible situations: first, gold standard with no gold currency at all; secondly, gold standard with a limited gold currency; thirdly, gold standard and gold currency unlimited; that is, absolute convertibility between gold and silver, and silver and gold. You are now dealing with the third of those propositions?—Yes.

10,103. But have you finished upon the other point? I understand your argument would be, totally irrespective of amount, that the bulk of the currency of India would remain silver?—Yes.

10,104. I understand that your argument is that it is undesirable to have a gold standard, even if you could get a gold standard easily, because gold would not be the same metal as the preponderating currency of the country?—That is the very thing I am discussing, the case of a proper gold standard with convertibility, and allowing a gold currency to be used: I say that, even in that case, the amount of gold currency must in the nature of things be comparatively small, and I regret that those who have been putting forward the idea of having a gold currency have not supplied information as to the amount to which it could rise.

10,105. Then I suppose you will come back to a limited currency?—That I will come back to afterwards.

10,106. I understand you to say this, that, assuming a gold currency and a gold standard established, you object to that, because there has not been sufficient evidence given us to show what amount of gold would

be required for that purpose?—That is my point, and I think it is a very material one. In the absence of statements by those acquainted with India as to what the amount required would be, I should like to put this to the Committee. If we make the comparison with England, where we have just been discussing the amount of gold in circulation, and comparing the economic circumstances of India, taking out, for the purpose of comparison, the figures of income tax when there was an income tax, or the figures of assessed taxes now, if we compare that with the receipts from income tax in England, and other direct taxes, you would find this: if we can carry on with 60 millions of gold currency in the hands of the people, I doubt very much whether that would give you much more than 3 millions for the people of India. No doubt, gold could be used by certain classes in India, and in certain wholesale transactions, but I should like to have some information as to what the highest amount of that gold would be. As far as I can judge, it must necessarily be a small figure, and gold would not be familiar to the general mass of the population in India.

10,107. Are we to understand that you think that, supposing a gold standard were accompanied by an unlimited gold currency, the real amount of gold that would be required would be very small?—That is my opinion, for the currency.

10,108. You say there has been no evidence, but I think Lord Rothschild put it that, at the beginning, 20 millions of gold would be sufficient?—My own opinion is that 20 millions of gold would be sufficient both for currency and reserves in ordinary cases, and my doubt about the amount of gold that India would require for establishing a proper gold standard and gold currency arises from the existence of the hoards of rupees in India. You must make an offer, if you introduce the gold standard properly, to give gold in exchange for rupees; and the element of uncertainty is the hoards of rupees in existence, which might compel you to provide a much larger sum than the 15 or 20 millions, which apparently would be sufficient if you had only the actual circulation to deal with, and were not impeded and hindered by the existence of these hoards of rupees, which you might find it very difficult to deal with.

10,109. Then, that being so, what do you say to a limited currency?—Before we come to that, I should like to mention this point as to India being a poor and indebted country, which makes it difficult to maintain a gold standard. I mention the fact that many countries which tried to introduce a gold standard, or something like a gold standard, in my early days at the *Economist*, at the beginning of the seventies, have since lost the standard. I mention, among other countries, Brazil, the Argentine Republic, Uruguay, Chili, Portugal, and afterwards Italy.

10,110. Were not all those countries, countries where there was unlimited paper money?—I shall mention that presently. In addition to these, I have noticed Spain and Peru, which were hardly gold standard countries proper, but which certainly used a certain amount of gold. Almost all these countries have lost the gold standard subsequent to the date at which I was writing, although they had it at one time in a tolerably effective manner. How they lost it, of course, is a question for discussion and consideration, but that they had it at one time is certain, and that they did lose it is, I think, also the fact. I believe the great evil in all of them was the issuing of inconvertible paper, but the point will be whether the issuing of inconvertible paper was not itself caused by the difficulty that these people had in maintaining a gold standard. The difficulty was a very serious one, the moment you asked them to pay their debts. It was all very well in 1870, 1871, and 1872, when everything was booming, to have a gold standard; but in a few years afterwards, when you asked them to pay their debts, they did not pay, and it was then that the issue of inconvertible paper began. I am speaking quite generally, but that is how it occurs to me, going back to the history at that time. I think there is a real difficulty for countries like Chili and Brazil and some other countries that we have named, in their economic conditions, to maintain a gold standard, because the pressure upon them in times when money is stringent in London is really overwhelming and they can really hardly resist it. That was what was present to my mind as a difficulty which might arise in the case of India.

10,111. I suppose all those countries very much outran the constable. They all spent more than they got?—But still, you have a case of a country in a very similar economic condition to India, namely Mexico, which has been able to keep a silver standard. I doubt if Mexico would have been able to keep a gold standard.

10,112. (*Sir F. Mowatt.*) If these countries which, as you have mentioned, outran the constable, had had no gold and had had no silver, what difference would it have made to them which their standard was in? If they had spent more than they had got and had had to pay their debts, how would it have made any difference if they had had to pay their debts in silver or in gold?—There is greater demand for gold, and gold is the money which they owe to their creditor countries as a rule. The creditor countries are the gold countries, and there is a great squeeze for gold when these other countries are called upon to pay their debts. I may mention that about that time you had Turkey and Egypt, which have been mentioned in these discussions, also on a gold basis. Egypt, I should say, is undoubtedly a case of a country which is really much richer economically than some of those that have been mentioned, and it has had great advantages in regard to payment of its gold debt. I do remember the time very well indeed when Egypt was in a state of financial chaos, and would have had that difficulty which Sir Francis Mowatt has mentioned of retaining even a silver standard, but since then Egypt has improved, and with good financial management and with the wealth which it possesses, it has been able to maintain a gold standard. Turkey, I think, has not a proper standard of either gold or silver, and that is not a very good country to mention in connection with these discussions.

10,113. (*Chairman.*) However, your opinion is that India would have a difficulty in maintaining a gold standard, even if introduced in a proper manner, because it is a poor and indebted country?—Yes, that is my view.

10,114. Now, what is your next point?—The next point is as to the production of gold, and whether there will be gold enough. Upon that point I refer to the state of matters before 1848, and compare the increase of gold at that time with all the ideas that we then had as to what effect that increase would have with the state of things at this time.

10,115. What is the gold position in the world?—The gold position seems to me to be very well expressed by Lord Rothschild.

10,116. Lord Rothschild entertained no doubt as to there being plenty of gold?—His judgment as to there being plenty of gold, I doubt. As to the facts that he stated, I generally agree with him. You may put it in this way. The production of gold has greatly increased of late years, but not so much relatively to the previous annual production as the increase in the fifties was to the annual production before that. Down to about 1836, before the gold discoveries in Russia, the production of gold throughout the world had got almost to a vanishing point, being from about 2,000,000*l.* to 3,000,000*l.* sterling yearly. Before the Australian and Californian discoveries, about the year 1848, the production had got up to about 7,000,000*l.* to 8,000,000*l.*, but, a few years after that, the annual production had risen to from 30,000,000*l.* to 35,000,000*l.*, and remained somewhere near that figure for some time. The production was thus four or five-fold what it had been immediately before, and, if we make the comparison with the period before the Russian gold discoveries, it was ten or twelve times

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what it had been. At the present time, the increase spoken of appears to be as from 30,000,000*l.* to between 50,000,000*l.* and 60,000,000*l.* annually, or about double. Or, if we go back to the period of lowest annual production since the Australian and Californian gold discoveries, viz., to about 1880, when the figure was little more than 20,000,000*l.*, we may say that the production is now about three times what it was at the outside. The proportion of increase is accordingly much less now than it was. We cannot assume then that gold will now be available for new fields as it was in the 'Fifties, or will have so much effect as it had then in raising prices and wages. At that time, very extravagant ideas were formed as to what effect the new gold discoveries would have. As a matter of fact, although Germany undoubtedly, and the United States probably, were influenced by the opinion as to the abundance of gold, they were enabled to obtain the gold which they required for their purposes by squeezing the rest of the world, and causing that loss of the gold standard which many other countries sustained. That is the broad view of the case. It seems to me now that there is great danger in assuming that, in consequence of the increase in the production of gold, you will have enough gold to go round everywhere. That is exactly the mistake which was made 30 years ago, and which the people who have charge of these matters—the Governments of the leading countries—ought to be careful not to make again. There may not be gold quite sufficient for all these purposes; but I am quite sure of this, that, if the abundance of gold continues, and causes a great accumulation of gold in the banks and a great rise of prices, which is quite a possibility again, it seems to me that the rise of prices, and the rise of wages consequent upon it, in the old countries, and the general prosperity, would lead to the consumption and absorption of a much larger amount of gold than I think Lord Rothschild appears to calculate upon. He assumes that the demands in this country and in the old countries would remain pretty much the same; and then he makes the calculation that so much surplus would be left for other people. What I believe ought to be reckoned is that the demands for the old countries themselves, in the case supposed, might be incalculable, and I believe that they will be very large, and that the difficulties of countries in a less favourable economical position in adopting a gold standard would still be very considerable indeed.

10,117. It is a question of opinion with you upon that point?—I do not think that Lord Rothschild mentioned any reasons to the contrary. He simply made a calculation that, assuming things remained as they are in the old countries, there would be so much for the new countries. What I am pointing out is that the demands for the old countries are themselves subject to modification to any extent, and that, just as it happened in the fifties and sixties, you would have a very large demand for the old countries such as you cannot now foresee, and then that the pressure on countries in a secondary position would be very extreme.

10,118. Then what have you to say with regard to the present methods suggested for inducing gold to go to India?—Speaking specially in reference to the proposal of the Indian Government itself which is before you, my objection rather is to the leading idea at the root of the suggestion, quite apart from any criticism which may be made in detail. This idea is that a given value of money or currency is required by a community with a certain range of prices, and that, if prices rise or fall, the currency is proportionately increased or diminished, and *vice versâ*. Further, that one form of money in value may be made to replace another exactly, so that, if you make a gap in the one, the other comes in. The unsoundness in this idea is that you may in fact have great changes in prices, with no change in the quantity of currency, and great changes in the quantity of currency without changes in prices. I would give, as instances, what happened in Russia during the fall of the rouble about 15 to 20 years ago, when there was much speculation in the rouble in Berlin. In spite of the great fluctuations in the value of the rouble which then occurred, it was observed that the quantity of the inconvertible paper, although changing greatly in the aggregate, was accompanied by the absence of change in the quantity of small notes circulating. I have here with me a table in which I have extracted figures from Mr. Kaufmann's *Statistique Financière de la Russie*, in 1886. Mr. Kaufmann, who is an official in the Russian Ministry of Finance, published this book many years ago, and when I met him in Paris in 1889 he called my attention specially to the point I have mentioned. I extract from this book a statement showing the issue of notes in Russia outstanding on January 1st of the following years, distinguishing notes issued temporarily, and showing amount of issues deducting temporary notes.

(In Millions of Roubles.)

Year.	Total issue.	Notes issued temporarily.	Total issue deducting Notes issued temporarily.
1860	687	—	687
1861	713	—	713
1862	713	—	713
1863	691	—	691
1864	636	—	636
1865	679	28	651
1866	678	27	651
1867	709	59	650
1868	715	34	681
1869	724	—	724
1870	732	10	722
1871	757	41	716
1872	773	49	724
1873	771	7	764
1874	797	5	792
1875	797	—	797
1876	797	—	797
1877	790	55	735
1878	1040	305	735
1879	1188	468	720
1880	1162	446	716
1881	1133	417	716
1882	1133	417	716
1883	1133	417	716
1884	1103	387	716
1885	1073	357	716

The point is that, in the years 1877, 1878, and 1879, when there was a great increase in the issue of roubles in Russia, the increase was not in the ordinary circulation of the rouble, but in special blocks of rouble notes of large denominations, which were the subject of speculation on the Berlin Stock Exchange. This table shows that the ordinary circulation stood at about 700,000,000—sometimes a little less, sometimes a little more—the whole of that time during which these immense changes in the total quantity were occurring through the issue of the rouble notes which were the subject of speculation in Berlin.

10,119. (*Sir F. Mowatt.*) Do I understand that that circulation is confined to the small notes?—So I understand, the active circulation.

10,120. Do you know the limit of the notes?—The limit of notes is about 50 roubles. The table does not show the particular size of rouble notes. The book was given to me by Mr. Kaufmann as bearing upon this particular point, but, I believe, the actual circulation of the rouble notes looked at in detail will quite confirm this. The other case I should like to give is that of the United States of America, where, for a good many years after 1868 or 1869, the circulation of greenbacks remained absolutely the same down to 1878, when specie payments were resumed, and yet you had the greatest fluctuation in prices and in the value of gold in relation to those greenbacks, and it was only slowly that they came up to a value with gold. Although the total amount of the greenback issue remained exactly the same all that time, you had a considerable change in prices. At this point I might refer the

Committee to a table about the price of gold which is contained in the first of these memorandums which I wrote in 1879, where you will see the exact figures. Then a more recent case is that of France, where the note circulation in recent years has enormously increased, without corresponding changes in prices, and without any increase of population. My conclusion on this point is that it is a wrong idea altogether that, if you make a gap in the currency of India, it will be filled up by gold or any other new form of money which you desire. It is impossible indeed to foresee what makeshifts will actually be employed by a community subject to this inconvenience. You cannot say that the particular substitute which you propose will be used. As to whether you can substitute one currency for another, I should refer to my evidence before the Herschell Committee, questions 2061 to 2082, where I gave my opinion upon this point. It arose incidentally before the Herschell Committee, and I there gave my opinion that one kind of currency cannot be exactly substituted for another.

10,121. (*Chairman.*) I do not quite understand how this is bearing upon the proposals of the Government of India?—You will find that they based their proposals on the idea that a currency which is just sufficient when the rupee is at 1*s.* 3*d.*, would be redundant at 1*s.* 4*d.*

10,122. You are now going into the question of redundancy?—Yes. It is the same question, and I give the case of the American money. You had American greenbacks at all sorts of prices with the same amount actually in circulation.

10,123. The greenback was, after all, another shape of the National Debt. It was really a Government obligation. I do not see how that bears on the proposals of the Government of India. What they want is to establish a gold standard on a certain basis, and their argument is, that, if there is a redundancy of currency, they ought to reduce the number of rupees in the first instance, and then to restrict the circulation in the way mentioned in their proposals. Your point is that there is no redundancy?—The theory that there is a redundancy of currency is based on the idea that, if you have a currency that is sufficient at 1*s.* 3*d.*, it must be redundant if the rupee is at 1*s.* 4*d.*, because you want so much less currency. Then I gave these cases of the greenback circulation of the United States, and the rouble circulation in Russia, and I show that, with all kinds of prices of greenbacks and roubles respectively, you have the same amount of circulation. There is no such thing as redundancy of currency at one price or the other.

10,124. You say there is no redundancy of currency in India?—I say it does not follow by merely showing that, if you have enough at 1*s.* 3*d.*, you must have too much when it is at 1*s.* 4*d.* That is a wrong idea altogether. In addition to the question of value, you have to consider the number of coins circulating, and the number of bits of paper circulating as well, and you cannot say that in one case the currency is redundant and in another case it is not. That is a wrong idea altogether.

10,125. Then you object to the argument of the Government of India upon that ground?—Yes. It may look an abstract question, but it really goes to the heart of their scheme.

10,126. Is not the question, how much the currency would have to be increased assuming that they are quite wrong? Now let us come to their real proposal?—I should like to add this observation: If gold, therefore, is rated to the monopoly coinage, which has now been established in India, at any point that may be fixed, the difficulties that will arise will apparently be of the same nature as those of a bi-metallic standard itself. There will be a double standard, although not exactly a bi-metallic standard, because one side of the standard will be a monopoly coinage at a value much greater than that of its metallic contents, and only on the other side will there be a metal. Still, the two will make a double or alternative standard, and it will be impossible to fix upon any rate between the two which will be maintained. It is quite conceivable, in my opinion, that the monopoly coinage might continue to increase in value, because it is required for special purposes, and that gold may not enter into the currency when the rate at which it is allowed to enter is exceeded, because the gold will in fact not be able to do the work which is done by the monopoly coinage. The instances of Germany, France, and the United States, where a small amount of legal tender silver coinage is used in proportion to the total currency, are not in point. In these cases, the legal tender silver coinage is not specially in demand for any purpose, is really superfluous, and is kept at its value by gold being more or less freely exchanged for it at the will of the Government. The case will be quite different in India under the conditions suggested, because the monoply coinage will be the main coinage, and will be indispensable for the performance of certain work which gold cannot perform.

10,127. Have you anything to say about Mr. Lindsay's scheme?—Nothing special, because it seems to me that all these different schemes are covered by my objections to a managed currency of any kind. My objection is more general than to specific details. No doubt these schemes, in fair weather times and for a certain time, might work, or appear to work, but I do not think they can be depended upon permanently, because essentially it will be having a managed currency, and that is not a thing, I believe, which will answer permanently and which ought to be recommended by any government.

10,128. Have you at all considered what the effect in India is of a depreciated currency?—I am inclined to think, but with some hesitation—because in the present circumstances any course which is taken seems to present great difficulties—but, on the whole, the least disadvantageous course to follow would now be to go back to silver in spite of all its deficiencies.

10,129. And risk depreciation?—Risk a great deal. There would be a great shock; it is not a thing that ought to be done lightly, and the fullest amount of time ought to be given to the consideration of it, but the important thing is this, that, to have a good money at all, you ought to have an automatic standard.

10,130. Is that all? To have a good money you must have an automatic standard, you say?—Yes.

10,131. Should you not have a metallic standard that fluctuates as little as possible?—I think any metallic standard you are likely to adopt is not likely to fluctuate in the sense in which we are using the word.

10,132. To-day we are faced with a metal which has fluctuated, and is fluctuating enormously, and we are face to face with the fact that the country where it prevails is a country 80 per cent. of whose trade is done with countries which do not recognise this metal and require another metal?—I should not accept the statement that it is silver which fluctuates enormously. I think that raises the very much debated question whether it is gold that fluctuates or silver that fluctuates enormously. I think, if you raise that question, speaking economically, there is quite as much to be said against gold as there is to be said against silver. My own impression is that silver did better for India in the last 25 years than gold would have done, and gold is better for England than silver would have been for England.

10,133. Is it your opinion, then, that the purchasing power of the rupee in India has not varied, and that the variation has taken place where it has been brought into contact, so to speak, with gold-using countries?—That would raise a great many questions which it would be very difficult for me to go into without specially preparing myself about prices and wages in India. I think myself, in India, where silver had not changed very much down to 1892 or 1893 with reference to commodities, at the chief ports in India at least, that silver on the whole was steadier than gold during all that time at the chief ports

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in India; but it would require a great deal of consideration and study for me to say what had happened up country in India at different points and in different places. These things involve very difficult statistical considerations. What I am quite sure of is, that nothing has happened to silver which has not happened in former times to any standard money which you can possibly select for your standard. In the early sixties, I remember, you had a great change in your standard money in this sense. At that time gold and silver, I believe, were to a certain extent depreciated, and you had great changes in India in consequence of the depreciation of silver at that time. I do not think that of late years there has been depreciation of silver sufficient to make it unfit for standard money in a country which chooses to use it, and the case which I should put before the committee of a country which does use silver, and which has not come to grief in any way by using it, is the case of Mexico.

10,134. You say, "If it is impossible or undesirable "to go on to the proposed new metallic standard, then "the only two alternatives open are, either to return "to silver at the present rate of exchange and put "more silver into the rupee, or to go back to the old "standard itself, for which there are many reasons of "convenience." Do you attach any importance to putting more silver into the rupee?—I attach a great deal of importance to it. It seems to me that the putting of more silver into the rupee would cost a good deal of money to the Government.

10,135. Then you are against doing it?—I am against it, on the score of expense.

10,136. To call in the whole 120 crores of silver and reissue it would be very costly?—Certainly. I am not sure that in this country, which is a very rich country, having regard to the state which we have got into with reference to our token coinage, we might not call in our silver token coinage and replace it by a token coinage with the silver contents more nearly approaching the real value. At present we have not a token coinage quite in accordance with the principles of Lord Liverpool. But in India it would cost too much. There are also other objections with reference to contracts and things of that kind, which it would be difficult to discuss, which might make it undesirable to "thicken the rupee," as it is called.

10,137. Your opinion, I gather, on the whole is this: you think that the course which is the simplest and involves the least permanent loss, and is the most practicable, is to reverse what was done in 1893, to open the mints to the coinage of silver, and not to attempt either a gold standard or a gold currency, to leave the bullion value of silver to settle, so to speak, the exchange value of the rupee, and that the evils which would follow from any other course are greater than even the worst evils than could be predicted from that course?—That is the idea I have. Of course, that is my general impression. I am not at all responsible for the present state of things, and I feel sorry indeed that such a state of things as we now have should have arisen; but I think on the whole the least disadvantageous course is to face the difficulty, and to go back to the right path, which I think was gone away from in 1893.

10,138. (*Sir D. Barbour.*) You said you thought Mr. Bagehot was right in the opinion he gave in 1879, that silver was not likely to fall much more, but that it might rise?—At that time. Mr. Bagehot's opinion was given in 1876–7, and was only quoted by me in 1879.

10,139. I do not think you mean that the result justified his opinion, but that on the evidence as it existed at that time he came to a proper conclusion?—No, I meant to say that the result had rather justified his opinion; because, when you are making a statement of that kind, you are not looking to the whole future, you are only looking to the immediate future, and the steadiness during the next few years after he gave that opinion did justify it.

10,140. And therefore you say he was more justified in his opinion by the result than the Government of India were in theirs?—I have not the paper before me now, in which the Government of India gave their opinion, but I think he was fairly justified in his view that there would be steadiness.

10,141. The Government of India say this: "The "current of all the most trustworthy opinion tends "more and more towards the conclusion that, so far "as can now be foreseen, there is no prospect of an "early or complete recovery in the value of silver, "and, on the contrary, that the probabilities are all "in favour of a further fall." That was the opinion of the Government of India?—But how far that was supported in detail I cannot say at this moment, and everything would depend upon the particular details on which that opinion was founded.

10,142. I see your observation in reference to that statement was, "we must take leave to suggest that "the statement quoted is entirely without justifica-"tion"?—As far as I knew from current opinion at that time; but, of course, there is very little use discussing it without enumerating the opinions; and the Indian despatch does not mention the opinions to which they refer. I think I quoted Mr. Bagehot as certainly a man of some authority at that time; and he gave the reasons for his opinion, which I think have so far been justified.

10,143. But has not the course of events been pretty much what the Government of India ventured to predict it would be?—I do not think they "ventured to predict"; that was an opinion; and if, in consequence of something which they did not foresee at all, an event happened which they predicted, I do not think that that shows they were justified in their opinion.

10,144. Mr. Bagehot, as you say, came to what you think was a reasonable decision on the evidence as it then stood. If the Government of India came to an opposite decision, I suppose you would hold that they came to an incorrect decision, even though circumstances so altered that in the long run the Government of India happened to be right, and Mr. Bagehot happened to be wrong?—I do not think you can say that; because you can only give an opinion as to what is going to happen in the immediate future, and the Indian Government were wrong as to the immediate future—the six years immediately following their opinion.

10,145. The important question which the Government had to decide at that time was the question of the future standard of India—whether it should be gold or silver?—I do not think that was before them at all.

10,146. Was it not proposed to stop the coinage of silver?—That was more with reference to the immediate future.

10,147. Still, having once adopted the policy of a gold standard, they could not propose to go back to silver after six years?—No, and that shows the difficulty of raising a question of that kind, because they can only perceive a few years ahead, and you would not say that they were making the proposal with reference to the circumstances of 50 or 100 years hence, because the answer to that would have been that no one can possibly say what circumstances will be 50 or 100 years hence.

10,148. They say in their despatch, "We have con-"sidered it inexpedient to interfere at all with the "British Indian gold coinage, thinking it best to "restrict all changes in the law to what is essential "for accomplishing the first step towards the change "of the standard. We aim, it is true, at the eventual "adoption of the British standard, and the extension "to India of the use of British gold coins." Is it not clear from that, that they intended to alter the standard from silver to gold?—Undoubtedly that was the intention then.

10,149. In discussing a question of that sort, viz.:—the standard of value for a country, do you consider it reasonable to limit yourself to what may happen during six years?—I think it is quite impossible to go into questions of what may happen 50 or 100 years hence. The whole thing is a mistake, because

you cannot have the materials of judging except as to what is to happen within the next few years.

10,150. Then do you think, in making up your mind whether you shall or shall not change the standard, it is sufficient to confine yourself to what is going to happen in the next few years?—I think it is a thing you should not think about at all, unless there is immediate necessity for making the alteration; and almost all the proposals that have been made for changes in the standard of value have been more or less incorrect, if you take a long period afterwards. For instance, Ricardo, at the beginning of the century, was rather in favour of silver at first as the sole standard for England, but he changed his mind in the course of a few years, because he thought, from what was happening in South America and elsewhere, that silver was going to fall in value, and, as a matter of fact, we know that after 1816, and down to 1873, silver did not fall in value. I think it is hardly possible to take into view considerations such a long way ahead.

10,151. If that is the case, you ought never to change the standard of value?—I should think you should almost never change the standard of value.

10,152. Are you aware what the proposal of the Government of India in 1892 actually was?—I have not followed it myself very minutely; but I have read the proposals to some extent.

10,153. I thought you suggested that the proposals of the Government of India in 1893 were to finally adopt the ratio of 1*s.* 4*d.*?—No. I believe I mentioned that there was some idea of, perhaps, going to 1*s.* 6*d.*

10,154. Perhaps you will take it from me—I can read you the document if you like—that the proposal was this: The original proposal of the Government of India was to close the Indian mints to silver, not to declare any ratio at the time at all, but to promise that they would not in any case choose a ratio higher than 1*s.* 6*d.*, but might choose a lower ratio, and to wait and be guided by experience as to what ratio should ultimately be adopted. You know nothing to the contrary of that?—No, that is quite consistent with what I have read.

10,155. I dare say you are aware that the modification made by the Herschell Committee in that proposal was to substitute a provisional arrangement by which the exchange could not rise above 1*s.* 4*d.*, in order to prevent any sudden and excessive rise of exchange, which they apparently thought probable. Is it not the case that up to the present time the Government of India are at liberty to choose any ratio they think best?—That would be quite consistent with what they proposed originally: that is to say, the measure of 1893 was specifically a measure for stopping the coinage of silver, and not so much for fixing an exchange for gold as the measure of 1879: but substantially I think the arguments against the one measure apply to the other.

10,156. Then you said that the difficulties of establishing a gold standard would probably be much greater than the proposers of that measure had anticipated?—That is the general idea; that it is a very difficult thing to do.

10,157. Do you think that the Government of India did not recognise at the time that there might be great difficulties?—It is one thing to express an opinion recognising difficulties, and quite another thing to take action which does recognise them.

10,158. That may be; but, if the Government of India expressly said that there might be very great difficulties in doing what they proposed, it is not fair, is it, to say that they did not recognise the difficulties?—I do not think that they realised all the substantial difficulties. A man may say that he realised difficulties in doing a certain thing; but, if he does not realise the real difficulties, that is the same thing as saying that he did not realise them at all.

10,159. Now, you are doubtless aware that at the time the mints were closed I was in India, and was the member of Council in charge of the finances of India. I will read you a passage from the speech that I made when the bill was introduced for closing the mints, and of course I must be taken to have been the mouthpiece of the Government of India at that time; in fact, to compare great things with small, it was very much as if the Chancellor of the Exchequer in the House of Commons made an announcement of the policy of the Government here. I said, "It might "be that the gold standard may be made effective "from the first, though it will not be secure until "there is a considerable amount of gold in our "treasuries and banks. Or it may be that the making "of the gold standard effective, and the establishment "of it on a secure basis, will involve a long and "arduous struggle, and necessitate heavy sacrifices. "Time alone can show which view is correct." Looking to that statement, I hope you will be prepared to do the Government of India the justice of saying that, at any rate, they realised that they had what might prove to be a very difficult task before them?—I do not think they fully realised that it might be an impossible task.

10,160. But still they did realise that it might be a very difficult task?—That it might take a considerable time.

10,161. And might involve heavy sacrifices?—But I do not think that that has always appeared in all the discussions on the subject. If I might make a suggestion to you, Sir David Barbour, it would be that you do not mention what kind of sacrifices were looked forward to at that time.

10,162. It might be that the Government of India, as I believe was the case, thought that there might be sacrifices the exact nature of which it was not possible to foresee at that time. At any rate I can say that that was present to my own mind?—I do not think that that view of the subject was present to many people who considered the matter even in 1893.

10,163. But perhaps you would accept my statement that it was present to me individually?—I accept your statement undoubtedly, that in your view the thing might be very difficult to do.

10,164. And I do not think I ever said absolutely that it was possible to establish a gold standard?—I do not think it was present to most people's minds, who had to deal with the subject in this country, that it was such a long and difficult operation. Of course that depends upon the people with whom one may happen to have conversed, but I do not think it was ever represented that it was an operation, for instance, which might go on for 20 years before you could establish a gold standard.

10,165. I should like to read you another passage from a statement of the policy of the Government of India. This is a deliberate statement of the policy of the Government of India; in making it, I was merely the mouthpiece of the Government; it was made by me in answer to a question put in the Legislative Council:— "The avowed object of the Government of India in "closing the Indian mints to the free coinage of silver "was to alter the Indian monetary standard from "silver to gold: but it was expressly stated in this "Council, on the 26th of June last, that it was not "intended for the present to do more than stop the free "coinage of silver, and, as a provisional arrangement, "to provide for the issue of rupees at the mints in "exchange for gold at the rate of 16*d.* per rupee. "The object of providing for the issue of rupees in "exchange for gold at 16*d.* the rupee, was to prevent "any great and sudden rise of exchange, and the "Government did not undertake either to establish "16*d.* per rupee as the permanent ratio of exchange "between gold and the rupee, or to establish any other "permanent ratio immediately, or within any specified "time." That would show that the Government thought that it might take a considerable time to establish a gold standard?—But not 20 years. There is no indication, so far as I can judge, in anything that I have seen as to what length of time the operation would take; and I think, as Sir David Barbour has quoted so much about his own point of view, and the point of view of the Indian Government at that time,

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I may say that, as far as I can judge from the people on this side who were concerned in the matter, there was very little idea of going over to a gold standard at all. I speak especially with reference to the opinions of Mr. Bertram Currie, who was quite satisfied with having stopped the coinage of silver at the Indian mints.

10,166. I was only anxious that it should not be thought that the Government of India entered on this measure hastily, or that they thought or expressed the opinion that a gold standard could be established in India in a short time?—There is no doubt of course about the *bona fides* or the good intentions of the Government of India, and of all the people who were officially promoting it at that time, but that does not affect the question as to whether they adequately recognised the difficulties they were going to encounter; and it seems to me that, unless you look forward to providing a sufficient reserve of gold at once, and up to this moment no sufficient reserve of gold has been provided, you were not realising adequately the difficulties which lay before you.

10,167. Now you said that you thought there was too great a hurry in India to meet indebtedness when it arose, and that the Government might wait until the growth of revenue filled up the deficit. Do you not think it is a very dangerous thing for any poor country like India to accept a deficit for one moment longer than it is absolutely necessary to do so?—I quite agree. It is merely a question of what the time ought to be when the emergency arises. It is a mere question of degree. I am quite sensible that that is a very vital question indeed.

10,168. I daresay you recognise that the strongest answer a Chancellor of the Exchequer can make to his colleagues, when he is pressed to increase expenditure, is to say, "If you do not incur that expenditure you "will have a surplus, and if you do incur it you "will have a deficit"?—Quite so, but what I recognise is that there are many countries which are in an inferior economic condition to England that cannot do that. In this country we have numerous taxes—for instance the income tax, which we can shift up and down at will; but there are many countries where they cannot do that, so that it might be in those cases very injudicious to impose new taxes when perhaps by waiting a little they could get into better circumstances.

10,169. I do not know whether you are aware that the Government of India has on more than one occasion accepted a deficit—has budgeted for a deficit. That was the case in 1893-94?—I can quite understand that that should be so; there may be sometimes willingness to face a small deficit.

10,170. You say the Government of India should have waited. I daresay you will recollect that there were financial difficulties in 1874, when the exchange first began to fall in Lord Northbrook's time?—I do not recollect precisely those difficulties. I recollect the difficulties when Sir Richard Temple was Minister of Finance, and the difficulties afterwards in the time of Sir John Strachey, I think; but I cannot give you the exact dates.

10,171. When exchange fell, of course, you would expect a difficulty, and a difficulty of that nature arose in 1874. So that the Government of India had to meet a fall of exchange, and did meet it at that time without altering the standard. Then, I daresay you recollect that there was a subsequent difficulty when those proposals to which reference has been made came home in 1878. A difficulty arose at that time from the fall of exchange, and led to these proposals regarding which you wrote your memorandum?—All the same, for 20 years before 1892 there was practically no deficit in India.

10,172. There was a difficulty—it might be great or little—but there was a difficulty in 1877-78, which led to those proposals coming home in 1878?—I am quite agreed in substance with what you are putting.

10,173. (*Chairman.*) In 1864 the Indian Government sent home a series of resolutions as to a gold currency, and Sir Charles Trevelyan proposed a gold currency for India by declaring sovereigns and half-sovereigns to be legal tender at the rate of 10 rupees to the sovereign. That was strongly supported by the Bengal Chamber of Commerce, who sent home a resolution declaring their opinion that a gold standard was almost universally admitted to be a positive benefit to India. Sir Charles Wood eventually disapproved that proposal, but he gave a sort of compromise, namely, that a rate should be fixed. Then, in 1865, the Directors of the Bank of Bengal stated that the time had come when sovereigns and half-sovereigns should be declared legal tender. In 1866 the Government of India appointed a Commission to enquire into the operation of the paper currency. That Commission took a very wide range of evidence; and they reported that the evidence they had taken unanimously proved a demand for a gold currency, and that gold coins would be more popular than notes; and they objected to the note currency on the ground of the popularity of gold. Their general report was that the currency of India should be gold, silver, and paper. Then we come to the year 1878, about which Sir David Barbour has been questioning you, and upon which you wrote your two memoranda. Then in 1892-93 Sir David Barbour takes the thing up again. So that there has been nothing rash or hurried about the action of the Government of India; but this question concerning a gold currency and a gold standard has been under discussion in India for between 30 and 40 years, and it has always been, so far as I can find any evidence, a popular opinion among the banking and mercantile and general circles of India?—I can say that I am very well acquainted indeed with the correspondence and the papers about 1864-65, and some of the papers that were published in the Blue Book at that time are amongst the most useful that I can remember with reference to the discussion of the bi-metallic question. But, all the same, I do think that the proposals for a gold standard in 1864-65 were of a different nature essentially, being produced in different circumstances, from the proposals in 1892-93. In 1864-65 gold was supposed to be, and no doubt was, comparatively abundant throughout the world, and India in particular had been the recipient for a good many years of very large quantities of gold. It was quite a legitimate thing for people at that time to think more of the gold standard than would have been possible or desirable afterwards, when the circumstances had changed a good deal. But it does not follow, from the general opinion amongst the people engaged in the foreign trade of India, they being in favour of a gold standard for India, that that was conclusive of the matter; and it would not alter the fact that, even if you were to introduce a gold standard and gold currency now, the gold currency would be used as a matter of fact to a very small extent in the transactions of the people of India. But, as far as regards the point that the thing has been a great deal considered between the Government and the people of India at different times, that I should not dispute, because that is really a matter of history in which I should quite agree with you.

10,174. (*Sir D. Barbour.*) You may take it from me that there were difficulties in 1874—there naturally would be—when the exchange fell, and there were difficulties later on which led to the proposals of 1878, and you are aware that there were further difficulties about 1884 and 1885 which led to the Gold and Silver Commission of 1886. Then, after that, there was a sudden rise in exchange owing to the speculation caused by the increase of the American purchases. I think you drew attention at that time to the fact that the rise would be only temporary. Then, you will recollect that there were further difficulties arising from the same cause in 1892, and there was a great fear that the Americans would cease to purchase silver. Do you not think that, if the Americans had gone on purchasing silver, they would have gone to a silver standard?—That is an important question, because, I think, there has always been a danger of the Americans going in for

a silver standard. But, when you point out that the Indian Government went into the matter in 1874 and 1878, and again in 1885 and 1892, you are talking of different times altogether, when silver was about to have a severe fall. Indeed, it shows that, on the whole, their policy in taking the matter up was not quite justified, because they did not succeed in 1874; they did not succeed in 1878–79; they did not succeed in 1885; and no particular harm has happened to India. It might have been the case that, if they had failed in 1892–93, we should all be recognising at this date that the Indian Government might as well have left the subject alone, and that no particular harm was going to happen to India.

10,175. Or, on the other hand, it is just possible that we might have been preparing at this moment to meet another fall?—No doubt. One cannot tell what the future is going to be. We might have a fall in gold in the same way, as many people suppose is going to be the case; but no one would propose to alter the gold standard of this country because of that.

10,176. The fact that the Government of India had difficulties to meet in 1874, and again in 1877, and again in 1885 and 1892, and that there were apprehensions of further difficulties in the future, would show that the process of waiting which you recommend might have proved to be a very long one?—It does not show that any of the difficulties were of a kind even to suggest an alteration of the money of the country. That is where the great difference arises.

10,177. I merely say that it shows that the process of waiting might have proved a very long one?—But every Government must deal with all the circumstances affecting its finances; there are good times and there are bad times, and bad times do not even suggest to me the expediency of altering the money. Every alteration of the currency ought to be treated as a matter requiring the greatest care. That is the difference between Sir David Barbour and myself.

10,178. If the Government had, for instance, an inconvertible paper currency, would you recommend that they should change it or adhere to it?—Inconvertible paper, of course, has great difficulties and evils of its own, which ought to cause everyone to discourage it, and it is not a proper thing to have. It is not a good money.

10,179. Do you think the Germans were justified in changing from silver to gold?—It was a matter of which the Germans were the exclusive judges, they had very good advice about it. I think on the whole they might have done as well to keep to silver; but they had an undoubted necessity for making some change in their money, because they had such a great variety of currencies, not exclusively silver—a certain amount of gold was legal tender money in Germany before 1872—so that they had great excuse for changing their standard.

10,180. The pressure on them to change their standard from silver to gold was not nearly so great as the pressure has been upon the Indian Government?—There was no pressure on the German Government except one of convenience. The step was not taken in consequence of pressure, it was taken because they thought that, on the whole, gold would be better than silver; they had to make a change of some kind; they had to unify their money, part being gold and part silver.

10,181. Practically it was all silver?—No, they had a considerable part of it in gold and they unified it on a gold basis, but it was not done from any pressure, it was simply done because it was found absolutely necessary to make a change of some kind.

10,182. If they were justified in making the change by the prospect of the comparatively moderate difficulties they had to meet, *à fortiori* the Indian Government are justified in proposing this change now?—No. I think the Germans changed from a cause belonging to the nature of the money. The Indian Government proposes to change from a cause which should not have to do with currency or money at all. I think you took a false view of what it was expedient to do, when silver money changed in value in reference to other money.

10,183. You said that you thought India was unfairly charged with Imperial expenditure by England?—That was the opinion which I expressed.

10,184. I dare say you are aware that the Government of India would be glad to get the Imperial Government to bear a portion of that expenditure with which India is now charged?—I have no doubt that that raises questions of very high policy indeed.

10,185. I dare say you are aware—at any rate you may take it from me that it is so—that the Government of India has at times urged that matter on the attention of the Imperial Government?—I believe that has been the case.

10,186. And a Commission has been appointed to enquire into the matter, which is sitting now?—I have referred to that in my evidence.

10,187. You say you think the Imperial Government should bear a portion of the cost of the British Army in India?—That is the idea I suggest.

10,188. Then would it not be possible to argue that the Government of India should bear a portion of the cost of the British Navy, which protects Indian trade all over the world and prevents any naval expedition by foreign Powers against the coasts of India?—I duly took that into consideration, but on balance I thought the advantage ought to be given to India.

10,189. At any rate it is a matter to be settled after consideration by the persons interested?—No doubt. All I wished to express before this Committee was that, in statements by responsible officials in India as to the finances, they should not have confined themselves so exclusively to the question of their having reached the limits of taxation.

10,190. In point of fact, whatever view we may take as to the just proportions in which India and England should share that expenditure, the Government of India could only deal with matters as they stood?—That is so, no doubt, but to a certain extent we must recognise that the Government of India is the Secretary of State for India and the House of Commons.

10,191. But the Secretary of State for India at that time had not got any promise from the Imperial Government or the Chancellor of the Exchequer to give him three or four millions sterling a year, and he had to deal with the question on the basis on which it then stood?—I hope that one of the results of this Committee, and of the whole question of the money of India being raised, will be to compel our leading public men to consider the farther question of the relations between India and this country with regard to expenditure.

10,192. Then you said you thought that, if there was a gap made in the rupee currency of India, it might not be filled up by gold. I do not know whether you accept to any extent the quantitative theory of money?—The quantitative theory of money is explained so differently by different people. My own expressions about it have been interpreted in a very strange way. Ultimately, I have no doubt that the amount of the standard substance, the quantity offering in the market, and the quantity being supplied, have a material effect in regulating its value in exchange with other commodities. But that is not an opinion which can be taken to mean that a given quantity of money must be in existence in reference to a particular state of prices in a given country.

10,193. I merely asked you whether you accepted the quantitative theory of money to any extent, and you say you do to some extent—you do with certain limitations?—To the extent I have explained.

10,194. Then, if it were the case that the quantity of rupees in India was steadily reduced year by year, would not the value of the rupees rise?—It might rise to a point, but you do not know, when you are introducing an artificial measure of that kind, what else might happen, and what substitutes may come in.

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10,195. I quite see that there might be difficulties, but, if the quantity of rupees in India is steadily reduced, the value of the rupee will tend to rise?—If nothing else happens; but that is the whole point, that you cannot do a thing of that kind without something else happening.

10,196. Still the tendency is for the rupee to rise, other things being equal?—Yes.

10,197. Then, if the rupee rose to gold point, that is over 1*s.* 4⅛*d.* under present conditions., would not gold come into India?—But it might be that it would not rise over 1*s.* 4*d.*

10,198. But, if you carry on the process of reduction to a sufficient extent, would not the value of the rupee tend to rise?—I think substitutes would have to be introduced to perform the work which the silver currency now performs. Whether gold would be the substitute is another matter.

10,199. But I cannot think of any substitute, except coins that are made legal tender?—We know that gold itself is used in many countries where it is not legal tender, and the same thing might happen in India; they might have other things in use; they might have silver bullion for example.

10,200. But how would you pay your debts in silver bullion?—Just as you do in China.

10,201. It is the law there, is it not, and silver is accepted by the Government?—No, I think not, it is simply the custom of people there to buy and sell in silver bullion.

10,202. Suppose a man accepted silver bullion in India, how could he pay his debts or taxes with it? The Government would not take silver bullion from him?—I do not wish to be judged by particular cases, but I do affirm that, when you stop the coinage of a particular country, and say that people are not to have money of a particular kind, you do not know what effects will be produced, and what substitutes will be made use of. Suppose you were to stop the coinage of copper in this country at this moment, and to say that no more copper coins should be issued, you could not say that gold would replace copper to any extent in the particular work which the copper performs; neither could silver; and I say that in India, supposing you stopped the silver, you do not know beforehand whether the gold to any material extent could perform the work which silver is now doing. That is a thing which you have to show in detail, and you must not assume it. You must show in detail what transactions gold would be useful for, how much gold would be used, and so on, but you cannot assume beforehand that gold is able to do the work of silver. Take the case of paper money. You cannot assume that gold alone would do all the work that paper money now does in this country, and still less that it could do the work which is now done by cheques. You have always to consider the particular currency, and what it can do.

10,203. But is there any intention expressed by the Government of India of limiting the quantity of rupees in India, if found necessary for the purposes of currency, any more than the Government of England limits the quantity of shillings below the amount found to be necessary in this country?—I have certainly seen expressions of that kind, but, if there is no intention of that kind, that brings you to the second point, that, unless you limit the rupees, if you provide for the expansion and contraction of the rupees just as shillings expand here in good times and contract in bad times, then you may have this difficulty before you; that you issue in good times more rupees than will circulate in bad times, and in bad times your rupee coinage goes to a discount. You are committed to the limitation of it, or you are committed to the abandonment of your gold standard.

10,204. But, if the arrangement was, as there is no doubt it would be, that no silver rupees would be issued in good times, unless gold were given for them, you would have that gold in hand to meet bad times when they arose?—That is to say, you would have the double reserve of which I have spoken, the gold as well as the silver reserve.

10,205. I merely wish to point out that with that reserve you could provide the means of increasing or decreasing the number of silver rupees according to the actual wants of the country. If you argue that that involves a gold reserve, which is a source of expense, that is another matter?—That brings you to the difficulty of the hoarded rupees. If you have to give gold for the rupees which you have issued in the manner you have described, you must make the offer of gold for rupees quite general, and then all the hoarded rupees may come out in exchange for gold. I do not see how you can make a distinction between the rupees which you issue in good times and the old rupees which are known to be in existence.

10,206. Nor do I make the distinction. The only limitation on the exchange of gold for rupees would be the amount of gold you have actually received beforehand?—If you limit it to that, and that gold should be exhausted, away goes your gold standard.

10,207. To that I agree. You also say that the hoarded rupees coming out might break down the gold standard. Again I agree, but that all depends on whether the rupees do come out of hoards?—No doubt.

10,208. If it should prove that the rupees that are in hoards are not brought out in exchange for gold, that would make the thing somewhat easier?—Of course, if the Indian Government is prepared to offer gold for rupees, a great many of my objections to their proposals fall to the ground. But I understand from Lord Northbrook's evidence, and from the expressions of the Indian Government itself, that that is the one thing which they are determined not to do.

10,209. They are determined not to be bound by law to offer gold for rupees to an unlimited extent?—But it must be unlimited, or it would not be effective.

10,210. Would you not rather say it might not be effective?—It might not be effective.

10,211. And the rupees that are in hoards may not be presented, and, if so, that difficulty would not arise?—We must go by the light of human nature a good deal in this matter, and I should think probably they would be presented, especially if there was an opportunity of replacing them immediately after by rupees at a lower rate. Still, a great many of my objections to the Indian Government proposals would fall away if that were so.

10,212. (*Chairman.*) We are dealing with the whole question. We might recommend, as you say, that rupees should be convertible: that is an open question. Your opinion, I take it, is that they ought to be made convertible, and that, if they were made convertible, that would do away with many of your objections to the Government's proposals?—I have no hesitation in saying so.

10,213. What I mean is, this Committee is not bound by what the Government of India have proposed?—I have no objection to say that a great many of my objections would disappear if that were so. Of course, another chief objection remains, which would be the expense. The objection would remain that on the whole, I think, silver would be the better standard still; but, if you make the rupee quite convertible, and if you are prepared to face the expense, and if that should prove to be a kind of monetary arrangement which the people of India would willingly accept, then I have no objection to a gold standard for India in that way.

10,214. (*Mr. Hambro.*) As long as it is a real standard?—As long as it is a real standard.

10,215. (*Sir D. Barbour.*) Assuming that it was decided to introduce a gold standard, or to attempt it, would you recommend that the Government of India should undertake to give gold for rupees to an unlimited extent?—I do not think it can be done properly without that.

10,216. But do you think it would be a safe thing to do?—I do not think it would be a safe thing, on account of the evidence as to the magnitude of the hoards.

10,217. And, if the Government of India did it to a limited extent only, it might succeed, or it might not?—Quite so. It is more or less an uncertainty.

10,218. I dare say you will admit that the Government of India recognise that, if the money now in hoards were presented in exchange for gold, it would create a serious difficulty?—They seem to lay it down very much that it is not a thing to be thought of—to offer gold for rupees.

10,219. But they recognise that people who have silver rupees in hoards might come forward and take gold instead of them, and get the rupees into circulation, and in that way possibly a serious difficulty might be involved?—That is so.

10,220. On the other hand, if the people who have hoards did not do so, that difficulty would not arise?—No.

10,221. And still more, if people went on hoarding rupees as they did before, there would come into play a force which would facilitate the establishment of a gold standard?—I am not quite sure of that. That might create this difficulty: that the Government of India would not know at any moment but that the people who hold the rupees might come forward. *Sir R. Giffen, K.C.B.* 29 Nov. 1898.

10,222. But for the time being, at any rate, it would make the establishment of the gold standard an easier matter?—That would be so.

10,223. Then a great deal depends on what the action of the people who are the hoarders of the rupees may prove to be?—Yes. You mean with regard to people selling rupees, demanding gold for their rupees.

10,224. Or continuing to increase their hoards of rupees?—That would be so.

10,225. And we must, I suppose, wait to see what happens and be guided by experience?—That is just one of the difficulties of the matter. I do not think you should leave the money of a great country like India quite at large.

10,226. Unless you cannot help it?—Necessity has no law, of course.

The witness withdrew.

Adjourned.

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10,227. (*Chairman.*) Have you anything you wish to add to your previous evidence?—I should like to add one or two words to make quite clear the answer to the Question 10,204 and 10,205.

10,228. Question 10,204 is: "But, if the arrangement was, as there is no doubt it would be, that "no silver rupees would be issued in good times, "unless gold were given for them, you would have "that gold in hand to meet bad times when they "arose." Your answer was: "That is to say, you "would have the double reserve of which I have "spoken, the gold as well as the silver reserve"?—I should like to add something almost by way of a question; it comes to that, because the question reads as if you would always have gold to be given out for the rupees that were brought back to you, and that would apply to the rupees given out now. When people bring gold to the Currency Department in India, I understand that you have rupees in the Currency Department to give out. But suppose after a time you have no more silver in the Currency Department than what you think it necessary to keep as a reserve, it is quite clear that you would then have to apply the gold to the purchase of silver with which to coin rupees. Then, if these rupees came back, you would not have that gold, or, at least, you would have only a part of it, with which to take these rupees back in bad times when they were more or less redundant. I do not know that the point is very material, but it seems to me that the question may arise in course of time.

10,229. Is there any other point on which you wish to add anything?—The other point was with reference to the remark you made about silver being so fluctuating a metal. Without going into a discussion of the matter—I do not wish to go into any controversy upon it—I should just like to state what my own view on that subject is. Since the beginning of this divergence between gold and silver, I do not think the depreciation has been all through of the same character. I think in the first part of it, about 1876 or 1877 or thereabouts, about the time when Mr. Bagehot was writing, you had the beginning of what was a depreciation of silver in the sense in which Mr. Jevons and the older economists had written about the depreciation of money. But that did not last very long, and, for a good while after that, the position rather was, not that silver had depreciated in the old sense—I am speaking specially from the point of view of India—but that the gold in which a part of the obligations of India were payable had appreciated in the old economic sense. Since 1892, however, I should be inclined to say that, if the Indian Government had maintained silver as its standard, you would have had a depreciation since that time in the old sense, as economists understood the word; that is to say, measured by the leading wholesale commodities, which was the kind of measure which the old economists used to take. I wish to state that as my view of the depreciation of silver, so that there should not be any confusion when questions are put to me.

10,230. Is that entirely irrespective of the excessive production of silver?—That would be so. The excessive production of silver produced no depreciation, in the old sense of the term in which we economists used to speak of money, until 1892, with the exception of that brief interval in 1876 or 1877.

10,231. But was not the ratio between silver and gold practically a fixed ratio?—That is quite true. There had been a fixed ratio, but in the economic sense you had a depreciation of both gold and silver in 1848 and 1862. That was the theme of Mr. Jevons' famous essay. That depreciation was both in gold and silver, in the old sense in which these words were used.

10,232. You think that the depreciation practically has nothing to do with the fall in the price of silver?—The fall was with reference to gold; and, of course, if you simply measure gold and silver by each other, it leaves open the question as to which the movement is in. That is a controversial matter. The points I have been mentioning just now, are, I think, a little away from controversy. I am trying to explain what is the exact view I have of the course of events since about 1872.

10,233. (*Sir F. Mowatt.*) How long after 1876 did the depreciation of silver (in what I may call the legitimate definition of "depreciation") go on?—It was a very short time. Mr. Bagehot at that time said that the depreciation, which he considered—and I think rightly at that time—to be mainly due to the sales of silver by Germany and the cessation in the coinage of silver in France, did produce a very considerable flow of silver from this side to India. And, I think, at that time it was just the beginning, not very well marked, of an actual depreciation of silver in the old sense.

10,234. How long do you say that lasted?—Not very long; for a very short time.

10,235. For years?—Two or three years merely. What came about after that—and what was really underlying it for the whole time—was the appreciation of gold, as we should call it, and there was nothing in India to justify you in speaking of the depreciation of silver, in the old sense, with reference to commodities.

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10,236. (*Sir D. Barbour.*) There was one explanation that you gave, which, I think, refers to a question of mine; that is, as regards the case where the gold was presented for rupees, and the Government had to purchase silver before it could give out rupees in exchange. That, of course, absorbs a portion of the gold handed in; but, if the rupees are afterwards brought forward and gold demanded, the silver in those rupees would be available to replace a portion of the gold with which that silver had been originally purchased?—I was rather putting a question than giving an explanation.

10,237. That would be the case, would it not?—That would undoubtedly be the case, unless you had in view that the silver would have to go out again, and then you would not put yourself to the trouble of selling it.

10,238. (*Mr. Campbell.*) You state, as one objection to a gold standard for India, that India is a poor and indebted country?—That is the statement; and it seems to me that there can be no question of the poverty of the people as a whole, compared, at any rate, with the people of a country like the United Kingdom; and, equally, there can be no question of the indebtedness of the country as a whole to other countries.

10,239. But, as regards debt, India is able to discharge her foreign obligations by means of the surplus produce exported?—That would be so.

10,240. And besides doing so, she is able to command a large amount every year of the precious metals?—That is also quite true.

10,241. For the last 11 years the average import into India of gold has been 12 crores?—I should thank you not to speak to me in crores, because I do not quite follow it.

10,242. Rx. 12,000,000?—There is no doubt that India for many years has been what has been called a sink of the precious metals, and quite as much in the past few years as in any previous time.

10,243. Then, in view of this large command of the precious metals over and above paying her indebtedness, can you say that India is a country that can be justly described as poor?—I think so. If you look at the general condition of the inhabitants of India, who are hardly able to bear any taxation whatever, I think you must describe them as a poor people, taking them all round.

10,244. I am not speaking of individuals, but of the country as a whole. Would you not say that a country which can pay its way and command such an immense amount of the precious metals is a country of large resources?—I have no doubt there are large resources in India, and that, if you come to the question of the distribution of wealth, you may find very considerable classes in India who are well off. The result of that would be that there are two Indias. But, as to the fact of poverty generally, that is surely a thing about which there can be no sort of doubt; and surely the fact that India owes very large sums to foreign countries is also quite clear. Hitherto India has paid its obligations, not altogether without borrowing. There has been a certain amount of borrowing for a good many years, but that does not alter the fact that it has had to pay debts.

10,245. Has the borrowing been so much for the purpose of escaping the payment of debt as for the purpose of productive public works?—Whatever the origin of the borrowing may be, it facilitates the operations of India altogether. It is a kind of resource to the people in India while the borrowing lasts.

10,246. But it is naturally a very different thing to borrow in order to escape payment of your debt, and to borrow for the purpose of investing in a remunerative undertaking?—But the immediate effect is, to a certain extent, the same.

10,247. When the mints were open to silver, India acquired through her trade balance the silver necessary to maintain her currency?—No doubt India acquired a large amount of silver. I do not think very much was required to maintain the active currency.

10,248. Is there any reason why she should not, in the same way, be able to command the necessary gold, if gold were to be her currency in future?—I think there would be much greater difficulty in commanding the gold, because gold is so much sought after in comparison with silver by other countries.

10,249. If a gold standard and currency could be established on a sound basis, would it not have the advantage of giving stability of exchange with those gold standard countries with which the great bulk of India's foreign trade is conducted?—There is no doubt that, if you could establish a gold standard in a proper way, India would come to be in much the same position, as far as the foreign trade is concerned, as is Australasia, and I do think that that would be advantageous to a certain extent. The whole question is one of a balance of advantages and disadvantages.

10,250. Then, as regards the Government's position, the Government would also, under a gold currency, be freed from the uncertainty now attending every Budget, as to whether the fluctuations of exchange might not upset its estimates and convert a surplus into a deficit?—I think the Government might manage, in the way I explained in the second memorandum which was before the Committee, to deal with these fluctuations.

10,251. (*Sir F. Mowatt.*) Fluctuations of exchange or fluctuations of expenditure?—Fluctuations of exchange owing to its having a gold debt.

10,252. (*Mr. Campbell.*) These fluctuations of exchange depend on trade, not on the action of the Government, do they not?—But suppose the Indian Government had all its obligations expressed in silver, the question of exchange would not affect it. India is subject to the same difficulty in exchange as is every country which has a gold debt and has not got the same money as the money in which the debt is payable; but that is a difficulty which is not to be spoken of as altogether incalculable, because it is a kind of difficulty which many countries have had to deal with from time immemorial, and which many countries have to deal with as well as India at the present moment. It was a difficulty of Russia, for instance, for many years; it was a difficulty of Austria-Hungary. It is a difficulty now with Mexico; it is a difficulty with South American countries; but all of those countries may get on very well and be prosperous, although they have that difficulty of exchange, and there is no insuperable obstacle in them to a government having good finance.

10,253. But might not good finance be more difficult on that account?—Then it is a question of degree. It may be desirable to have a fixed exchange, but it is a question of degree whether that is a sufficient reason for altering the money.

10,254. You would say, would you not, that those are difficulties which ought to be considered in deliberating whether India should have a gold standard or not?—Yes, and my own opinion is that any difficulties that arise from exchange are not big enough to justify a government in altering the money of a country, providing the money is quite satisfactory in other ways, as I think silver was in India before 1892.

10,255. With a gold standard and a gold currency, India could settle her foreign obligations (if produce were not available) by a shipment of gold, in the same way as the foreign obligations between this country and America, for instance, are settled?—It could always be done even now. Without a gold standard in India itself, it could always settle its gold obligations by taking part of that gold which is in India, though it may be difficult to get at it.

10,256. India might not part with it except at a prohibitive price?—I mean, there is no difficulty in settling your gold obligations if you have your resources in some form or other, and India, if it has got the resources, may purchase gold in some way, if

it was not willing to part with any of the gold in its possession. If India had a gold currency, and were to ship gold in payment of its gold debt, then, of course, that would give rise to the very difficulty which I have pointed out in my evidence, that the gold standard itself might be endangered if the gold were taken out of the currency.

10,257. If too much were required?—If it were taken out of the currency.

10,258. But with a silver standard there are two alternatives before the Government as regards settling foreign obligations, either to submit to the drop in exchange necessary to command the required exports, or there is the temptation to meet it by borrowing?—Would not that difficulty always arise, as far as borrowing is concerned, that that is an easy way of paying your debts? But I think, on the whole, that, as you must submit to some loss on your produce in selling it to meet your gold debt, it is more advantageous to a country like India to meet it by a fall in the value of its own money, with reference to foreign money, than by an open fall of prices which would otherwise have to be submitted to.

10,259. Then, in addition to the considerations we were just alluding to, there are the financial difficulties, which have already been discussed with you at some length, which also require to be taken into consideration in deliberating on the question of a gold or silver currency?—As I have understood the matter all along, these financial difficulties were the chief reasons for the Indian Government proposing to alter the money; it was mainly the difficulties of the Government.

10,260. You think that was what influenced the Government more than the other considerations which I have alluded to just now?—Of course, this Committee will have its own opinion on these matters, but that is the impression that has been conveyed to me in all the discussions—that the difficulty of the Indian Government in adjusting its Budget was the serious matter.

10,261. (*Sir. F. Mowatt.*) Did you say a serious matter, or the serious matter?—The serious matter.

10,262. (*Mr. Campbell.*) Assuming that a gold standard and currency for India should be resolved upon, you have seen the various recommendations as to the best may of introducing it—the Government scheme, and the Lindsay scheme, and others?—I have given some attention to the different schemes, but, for the reasons I stated before, perhaps not so much as most members of the Committee will have done, because I object so much to most of them on the ground of general principle.

10,263. One of the first questions would naturally be, would it not, as to how the gold is to be acquired?—That seems to be the chief question in the matter altogether—that you ought to have a sufficient stock of gold before you begin; that is the general idea.

10,264. You are, of course, aware that India has a very large stock of gold in the country already?—There is no doubt of that.

10,265. And that, so far, practically none of that gold has been tendered to the Government under the present regulation?—Very little has been tendered.

10,266. Do you think there would be any probability of that gold being tendered if a more favourable ratio than 15 rupees to the sovereign were adopted by Government, if, say, 16 or 17 rupees instead of 15 were offered?—I do not like to speak of matters which are more properly within the province of people acquainted with India, but I should think, according to one's experience of human nature, that, if it was possible to exchange gold for rupees at a fixed ratio at which it would be of advantage, probably some gold would be tendered; but what are the exact motives of the people of India in hoarding, and how these would operate, I cannot profess to say as well as people acquainted with India would be able to say.

10,267. I suppose you know that a good deal of gold has been shipped out to India recently, within the last 18 months, and sold at somewhere about 15 rupees to the sovereign?—I am aware that a good deal has gone out.

10,268. If a higher price, say, 16 or 17 rupees were offered, might not some of that gold be attracted in order to secure a profit? If they could sell at 16 or 17 rupees the gold which they bought at about 15 rupees, would not that be a temptation to send it into the mints or into the Currency Department?—All one can say is that no great amount has as yet been sent into the Currency Department, but I think that some would certainly go, if not from India, at any rate from this side, if there was an advantage from the exchange.

10,269. In 1894–5, gold was shipped from India to England on balance to the extent of Rx. 4,974,000?—I would hardly have thought as much as that came back, but I know at different times certain amounts have come back from India.

10,270. And that was not under pressure of famine, there was no famine during that year, it was simply that the fall of exchange raised the price of gold to a point which induced the natives to sell. I mention that in order to put it to you whether there is not a point at which India would sell gold as well as buy it—would send gold into the mint as well as hoard it?—That is a point as to which I think Mr. Campbell would give better evidence than I could, as to what would happen in India. I merely speak as to what would be likely to happen, according to the general experience of human nature; to what extent, I would not like to say without knowing the circumstances of India.

10,271. You have seen in the Government proposals, and in some of the other schemes that have come before us, recommendations that gold should be obtained by borrowing?—If the Indian Government has not a surplus itself and desires to put the transactions straight through and quickly, I do not see any other course open but to borrow, that is to say, if the thing is to be done quickly and thoroughly.

10,272. But would you consider it any advantage to do it quickly and thoroughly, at the expense of adding largely to the debt, rather than to do it slowly and quietly by ordinary trade influences?—I think the difficulty in the matter would be that the Indian Government would have to keep the reserve of gold by which the value of the rupee at 1*s.* 4*d.*, or whatever other rate was fixed, was to be maintained. And as far as the Indian Government is concerned, I do not see how they could get hold of that reserve except by having a surplus in their Budget or by borrowing. As to what might be in other people's hands, it seems to me so doubtful whether you would have so large an amount of gold circulating at any time that that is not material. The main question is how the Indian Government is to get the gold.

10,273. (*Chairman.*) Do you think it better that the Indian Government should get the gold slowly by ordinary operations of trade, or get it at once by borrowing; just say "yes" or "no" to that question, please?—I do not think the Indian Government can get it by ordinary operations. It must have a surplus, or it must borrow.

10,274–5. But, for the sake of the question, assuming that it is possible to do it in the two ways Mr. Campbell mentions, which do you think the better way?

(*Mr. Campbell.*) I may say just one thing. When I speak of the Indian Government, I mean the Currency Department.

(*Chairman.*) Assuming it to be possible, which do you think the better of the two operations that Mr. Campbell put? Would you say that it is desirable to pay the extra cost of borrowing in order to do the thing at once?—I should think not; but I should like to qualify that by saying that, to bring about a great change like this, the preparation of the gold reserve ought to have been taken in hand at the very beginning.

10,276. (*Mr. Campbell.*) Then, in connexion with the question of acquiring gold, would not the ratio established, or attempted to be established, be a very

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important question—the rate at which gold is to be valued in relation to the rupee? If the ratio, for instance, undervalues gold, would not that be a difficulty in the way of getting gold, or, if you did get it, in the way of keeping the gold?—I am not quite clear whether you refer to the difficulty of getting gold out to India itself, or to the difficulty in the way of the Government getting it.

10,277. I allude to the difficulty in getting gold into the Currency Department. For instance, if the Currency Department offered 15 rupees to the sovereign, is it as likely to get sovereigns as if it offers 16 rupees? And, if it has got the gold, is it as likely to keep it, if it offers to give a sovereign away for 15 rupees, as it would be if it demands 16 or 17 rupees?—I think, putting it in that way, there is no doubt that the more rupees you give for the sovereign, the more likely you are to get the sovereigns.

10,278. Therefore, the ratio is a very important question?—In enabling the Indian Government to get it in that way.

10,279. Now, you allude to Italy as a country which attempted a gold standard some time ago, and was not able to keep it. She attempted to establish a gold standard by means of borrowing, did she not?—Italy borrowed, I think, about 16 millions, to the best of my recollection.

10,280. But has she ever been able to declare convertibility?—I think they attempted to declare convertibility at the time, and the premium on gold was very small at one time, but that was a good while ago. The exchange, I think, is now between 26 and 27. It is not a very heavy discount, but quite sufficient to make you say that they have not got the gold standard.

10,281. In fact, is it not the case that, given convertibility, it would now pay about five or six per cent. to send gold away?—About five or six per cent.

10,282. That is an example of an attempt to establish a gold standard with borrowed money. Now, the ratio between gold and the rupee is only another expression for the sterling rate of exchange, is it not?—A different form of the same thing.

10,283. Fifteen rupees to the sovereign, for instance, is 1*s.* 4*d.* per rupee?—Yes.

10,284. Do you believe that the rate of exchange, by its effect on rupee prices, has an influence on trade?—The rate of exchange, like everything else, has a certain amount of influence on trade; what the precise amount and nature of it is, and how it operates, I should think some of the gentlemen around me could speak upon better than I can.

10,285. A high rate of exchange would act prejudicially on prices in India—would send prices of exportable products down?—Of course, all these phrases are relative to what has gone immediately before. Any rate of exchange might come to be the normal rate, and then you could only speak of high or low in reference to that normal rate.

10,286. But a change from a low rate to a high rate would act prejudicially on prices; it would lower prices?—That is to say, if the money of a country like India became of more value, that would operate unfavourably upon prices in India—if it became more valuable with reference to gold. I think, instead of speaking of high and low rates of exchange in these matters, it would be almost more convenient to speak of depreciation or appreciation of the money of the country. One would follow it more closely, because sometimes rates of exchange between this country and others, as Mr. Campbell knows well, are quoted in the money of the foreign country and sometimes in the money of this country; so the high becomes low and the low becomes high, and it is very difficult to follow.

10,287. I will put in this way, that the appreciation of the rupee in relation to gold would have an adverse effect on Indian prices?—That is so.

10,288. And it might check production?—For the time.

10,289. And, if production were checked, exports would tend to diminish?—How far that would operate is really the difficulty which I have in these matters. The adjustments might take place very quickly, but the immediate effect would undoubtedly be what you have described.

10,290. And what bearing would this appreciation of the rupee have on India's competition with silver standard countries?—For the time, I think, there is no doubt it would be adverse, as I think it has been adverse to some extent during the last two or three years; but I am speaking for the time now; I am not speaking of what the permanent effect might be.

10,291. Now, assuming that a workable ratio between the rupee and gold were adopted, and that gold was coming into India in consequence, the question of convertibility would arise, would it not?—In what form? The question is hardly specific enough for me to give an answer to it until I see what you are coming to.

10,292. Assuming that, at 15 rupees to the sovereign, sovereigns have come into the Currency Department on balance, and that the Currency Department has accumulated a fair amount of sovereigns, the question would arise whether the Government could safely undertake to give a sovereign for 15 rupees as well as 15 rupees for a sovereign?—That is the object at which you wish to arrive by a gold standard.

10,293. And the question would arise as soon as you had a sufficient stock of gold to enable you to undertake it?—That would be so.

10,294. Then, if the standard were to be maintained, would it not be necessary to ensure convertibility at least to the extent necessary to prevent gold from rising to a premium, or in other words to prevent exchange from falling to below gold point?—If you undertake to give gold for rupees, it is impossible for gold to rise to a premium. If you undertake to give gold for rupees so long as your gold lasts, it is quite impossible for your gold to rise to a premium. That is what you mean by convertibility.

10,295. If the standard is to be maintained, gold must be found for that purpose, or let out for that purpose?—That is the view I have always taken, that that would be a real gold standard when you made the rupee perfectly convertible.

10,296. I do not mean absolutely convertible; I mean convertible, to begin with, to the extent necessary to prevent gold from rising to a premium?—That is surely the same thing. You give out the gold for rupees, and, so long as you do so, you keep gold from rising to a premium.

10,297–8. I am referring now rather to keeping the foreign exchange straight.

(*Mr. Hambro.*) You are referring to what is called a halting convertibility, not a perfect convertibility.

(*Mr. Campbell.*) Convertibility sufficient to enable the exchange to be kept at whatever figure it is fixed at?—Convertibility is convertibility as far as it goes, but, when you come to consider how far you can manipulate the thing or "correct the exchange," and things of that kind, I am against any Government undertaking to do that, on principle. To say that you will make money convertible, by means of exchange operations, and will take sufficient means to make it convertible, is, I think, hardly a matter for the Government. On the whole, the Government had better keep out of any business of that kind, and work their money automatically. That is a question of general principle. Of course, if the Indian Government finally decide on attempting to manage exchange, and things of that kind, all these questions would be applicable; but they are not questions which I am very much prepared to go into.

10,299. (*Chairman.*) You are opposed to their attempting it?—I am opposed to their attempting it.

10,300. Your opinion is that, if there is to be a gold standard, it must be a gold standard accompanied with absolute convertibility of the silver coinage?—Just so.

10,301. (*Mr. Campbell.*) Suppose that exchange threatened to fall below the gold point, and the Government were unable to sell its Council bills at the gold point, would it be any interference with the automatic working of the currency for the Government to ship home gold in payment of its obligations?—If the Government were to undertake convertibility, the difficulty would hardly arise if they had sufficient means to maintain it, and I do not think the Government would do much good by going into operations outside the ordinary operations of Government, and acting as merchants. Of course, the questions which you have put indicate the kind of operations into which many governments have entered that have had obligations to pay in London, and whose money has depreciated, when they have found difficulty in maintaining convertibility; but I think experience has shown that governments would do wisely to look to convertibility and let other things take care of themselves.

10,302. You expressed an opinion at Question 10,107 that, if a gold standard and gold currency were introduced, the amount of gold required for circulation in the country would be very small?—I think I said that I should have liked more indications of opinion from official sources in India as to what they thought the amount of gold circulating in India would be, as compared with silver; but I said that the best opinion I could form was, comparing the community of India with the community of England, that the amount circulating would not be very large.

10,303. In the previous question, 10,106, you said about 3,000,000*l.*?—That was the sort of general notion that I formed. I do not put it forward as being a very good figure; I put it forward in the absence of any figure from the authorities of India upon the same subject, to which I should rather like to defer if they gave sufficient reasons.

10,304. If that were the case, apart from hoarded rupees, which might or might not be presented for gold, would this necessitate any large stock for the purposes of convertibility?—I think you would require a certain stock in order to give confidence; but I think I said, in answer to the Chairman, that probably 15 or 20 millions at the outside would suffice in my view. That is my opinion, looking at what one believes to be the amount of gold likely to circulate in India—that, if you had not that difficulty about hoarded rupees, such a sum as that, held in reserve, would be sufficient to enable the Indian Government to cope with convertibility. That is always, of course, subject to the difficulty about hoarded rupees.

10,305. With reference to the question of hoarded rupees, you are aware that for some months exchange has been steady at about 1*s.* 4*d.*?—I should say for nearly 18 months now.

10,306. That means that gold is obtainable at close on 15 rupees to the sovereign?—That is so.

10,307. That is about the price of the day, 15 rupees to the sovereign. Now, so long as exchange does not rise over 1*s.* 4*d.*, that is the cheapest price at which gold can be got, is it not?—That is so.

10,308. Then, if these hoards are not brought out now for conversion into gold at the cheapest possible price, would not that seem to indicate that the danger arising from these hoards being presented would be very small?—That is a conclusion, of course, upon which the Indian Government would have to form a practical opinion, but I should say from practical experience that you should not be too hasty in coming to a conclusion that something which it is quite obviously to the interests of many people to do would not, in fact, be done at some time or other, just because at a given moment the operation that you expect has not taken place. I have frequently been struck in past times by noticing that certain things that one expected *à priori*, and according to reason, did not "come off" as it were, but that often, after you have been disappointed and have given up the expectation, you would find that your *à priori* reasoning was right after all. There is always that difficulty, I think, about hoarded rupees, that at any moment it might occur to the people in possession of the rupees that they might go and get gold for them. Even if you find that for a certain time they are not acting as you think they are likely to act, you must always go, to a certain extent, by general principles in these matters, and not be too sure.

10,309. But if the danger arises from these hoarded rupees being presented, would it be wrong in the Government to guard itself against that danger by making convertibility optional, as in France?—That is to say, by the Government assuming to convert or not, as they pleased.

10,310. That is to say, if they thought that the danger arose from an improper operation of this kind?—Of course, in France you would have great mischief arising even now, but for the Government doing all that is necessary; but I suppose you will admit that even France, rich country as it is, does not gain by that system, and that it would be much wiser to accept convertibility absolutely.

10,311. You refer at Question 10,116 to the production of, and demands for, gold, and you admitted that the production had increased very greatly?—There is no doubt of that.

10,312. And I think you also indicated that the demand for gold has also greatly increased?—It would be likely to increase, but, of course, the demands for gold in the last three or four years have been much greater than anything known before.

10,313. But some of those demands have been rather abnormal, have they not, on the part of some of the European Governments?—That is quite true, but I should add the qualification that, at any time that I can remember, you have always had abnormal demands for gold; the market is always more or less in an abnormal condition.

10,314. You think that, if India were to go on to a gold standard, the demand for gold on account of India might inconvenience the market for gold?—I think, like other demands, it would have this effect, *pro tanto*. I was looking forward very much to the case of India going upon a gold standard absolutely, and taking all the risk of those hoarded rupees. In that case, suppose you took to a gold standard, and provided a very large reserve, that would probably cause difficulty in the money market; but I have seen very small demands indeed create very much disturbance. At the present moment I have in my mind the demands of Egypt, to the extent of 2 or 3 millions, producing a distinct effect on the money market.

10,315. But the effect produced by India would be much less, if she acquired the gold gradually, than if she acquired it at once by raising a loan?—I am speaking of India having fully established a gold basis. Then you would have operations from season to season going on, and, at a given time, India would be one of the countries which might produce in certain circumstances a great effect on Lombard Street. In fact, that is one of the difficulties you have to face in Lombard Street with every addition that you make to the number of countries with a gold standard working automatically.

10,316. But looking to the growing increase in the supply of gold, would you attach so much importance to a demand for two or three millions annually on the part of India?—You must not leave out points of that kind altogether, and I should like to remind you of what happened in the years 1863 to 1865 in the money market, at the time when gold was depreciated, and was considered to be very abundant indeed. That was a time when you had very high rates of discount in consequence of demands which had sprung up everywhere—India and France were both countries taking large amounts of gold—and that seemed to show that, if you have gold very abundant, it sets in motion business of different kinds, prices and wages rise, and a great many changes happen, and the people concerned have to fight for their share of gold as much as ever they did.

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10,317. (*Mr. Le Marchant.*) Do you think that, of the conditions bearing on the maintenance of a ratio, the more important is the factor of convertibility or the particular figure which may have been selected?—I think the rate, being fixed, ought to be fixed with reference to considerations as to what the money had been. If you are changing from one standard to another, you ought to change at some rate very close to the market rate at the time, not necessarily the exact market rate, but having regard to the general condition in which the market had been for some time before. If that is selected, that is a fair rate at which to change from one standard to another, provided the change is justified on other grounds.

10,318. In fact it would bear a close relation to the prevailing level of prices in India. One may take it that for any given period there is a relation between the level of prices and the prevailing rate of exchange?—I think these are the sort of questions which should guide you in making a change of that kind.

10,319. And if a rate much higher or much lower than the prevailing rate were taken, it would lead, just so far as it was efficient, to an alteration in the level of prices, that is to say, prices would, adjust themselves to the rate, if it were rendered efficient?—That would be another reason why you should stick to something very near the market rate, so as to avoid any disturbance of any kind; but perhaps you ought rather to make it lower than higher, that might be one of the reasons for taking a low figure rather than a high one. These are all matters of consideration at the moment of making a change.

10,320. You were alluding to some difficulties as likely to arise from the volume of rupee currency being large—large in proportion to any probable margin of gold?—I think that is the effect of the evidence you have had as to the amount of active rupee currency in India, and as to the guess that I thought I was able to make as to how far gold would really come into currency; but, I think, in any case there can be very little question that the silver currency in India must be always larger than her gold currency.

10,321. Then do you think there would be some risk of rupee prices moving in a direction divergent from gold prices?—I did not mention it from that point of view, because, if the rupees are convertible, then there would be gold prices.

10,322. Perhaps in speaking of it you were assuming that the rupee would not be convertible—that the rupee and gold would move independently?—If the rupee is not convertible, then, of course, there is all the effect of having two moneys—really the gold and silver would be independent.

10,323. Do you regard silver as having been in the past an automatic currency for India?—I think so.

10,324. Automatic in respect of both flowing in and flowing out?—It seems to me that silver was a very good currency indeed for India.

10,325. (*Chairman.*) The question put to you is, do you regard it as having been an automatic currency or not?—I do. I consider no currency as good that is not automatic.

10,326. (*Mr. Le Marchant.*) With regard to flowing in, it plainly flowed in with great freedom, but would not one of the conditions associated with the word "automatic" in currency be a freedom in flowing out?—I do not follow that part of the question, because "automatic" is with reference to the operation of the mint. If you can take bullion to the mint and get it coined, that is an automatic currency, and I do not know of any other meaning of the word.

10,327. In the case of countries which have the same precious metal as a basis of value, there is a free flow of the currency metal from one to the other; for instance, between China and India, when the mints were open, and equally between gold-mining countries?—But that is a little away from the ordinary meaning of "automatic." "Automatic" is merely a question of the bullion being deposited at the mint and people taking coins away with them. That is an automatic currency.

10,328. Do you think such a free flow of currency metal as exists between any countries that are on a real par of exchange is advantageous?—There is no doubt that it is advantageous to have a free flow of standard metal between different countries; I do not know that it is absolutely indispensable to a country having a particular standard, because this country had to maintain a standard for a long time, without having any other countries associated with it, but no doubt it would be an advantage to any individual country that other countries are also on the same standard, but it would also have disadvantages.

10,329. Now, with regard to India, with mints open to silver. There would be a considerable difficulty in silver flowing out to England in any large volume, would there not? There would be no fixed par value for such a metal to flow out?—That is no doubt the case—that there would not be the same outlet for silver into the currencies of other countries, as there would be for gold. There would be, of course, still the outlet in the shape of the employment of silver for hoarding and in other ways; but you would not have the outlet that it would go into so many currencies as gold would go into. I think you would have some outlet, because you have a very large silver field in the East, and in the course of time, I should think, you might have other countries taking to a silver standard; but that is the present condition of things.

10,330. (*Chairman.*) The outlet to the other country would really be for the purchase of gold in the same way as you would purchase any other commodity?—Except at times, when there is a disturbance in consequence of the state of the money market.

10,331. That would be the ruling principle?—Yes, but I think Mr. Le Marchant had in his mind gold going to a country like the United States, for instance. I think, as the point has come up, it might be of interest to mention that I have known considerable amounts of gold go to the United States for the purchase of commodities when the United States had inconvertible paper—very considerable amounts of gold—and affecting the money market.

10,332. (*Mr. Le Marchant.*) In cases where countries have lost their gold standard, has not the outflow of gold been promoted in many instances by the existence of paper, or other inferior forms of currency, which have expelled the better currency?—That has been the great danger with many countries in attempting to maintain a standard and not being careful how to do it.

10,333. Just so far as that condition may not be existing in India, India would have better means of retaining its gold?—If a country manages its currency properly, of course it is more able to maintain convertibility than a country which does not. The difficulty is that you do not manage your finances quite so prudently when there is any pressure from any cause. That is one of the dangers to good finance.

10,334. In fact, the possibility of retaining gold would depend partly on currency causes and partly on the general management of the finances of the country?—I think so.

10,335. (*Mr. Hambro.*) You have stuck so staunchly to first principles that I have very little to ask you. But there is one question in regard to which I do not think I quite followed you. If you take the price of India stock now (two-and-a-half's are about 90) that would rather indicate that, *quâ* credit, India stood in the highest credit after England, of any country?—That is so. I think India financially stands very high in the list of nations; in fact I would reckon India almost third or fourth. In point of fact the management has been so good so far as surpluses and deficits are concerned.

10,336. Then in the estimate of the public, at all events, India is a rich and solvent country?—That

is partly, of course, owing to its connexion with England.

10,337. Still, the estimate is, as shown by the prices of stock, that India is a rich and solvent country?—The estimate is that it is a solvent country. As to whether you can call it a rich country, that involves other questions.

10,338. But no other countries can borrow so cheaply as India except England?—I think we may say that a good many men in the City who are not rich can borrow on more advantageous terms than people who are rich, because it is known that they are more likely to pay.

10,339. All the countries that you have given as having tried gold and having failed have been countries of second and third class credit—the Argentine, Peru, Italy, and so on?—Some of these countries were at one time in very good credit.

10,340. If the credit of a country is so great, whether from good management or from anything else, that she can borrow very cheaply, and if, as a matter of fact, she has to import the precious metals every year to balance trade, would not that country be in a better position than most countries, at all events, to maintain a gold standard?—Yes, I should agree that India is in rather a better position than some other countries I have named.

10,341. And if she really went on to what you and I understand to be a pure convertibility, suppose the balance of trade remains as it has done in the past, the probability is, leaving apart those hoards, that she would be able to maintain a gold standard?—She would be able to maintain it, but possibly, at times, subject to very severe pressure.

10,342. Any country on a gold standard, or any standard, has to suffer that?—I think, perhaps, India would have to stand more pressure if a gold standard were adopted than if a silver standard were maintained.

10,343. Still, you think she is in a position to command any currency of a pure nature that she desires?—She is in a relatively better position than some of those countries which I have named.

10,344. Would you go so far as to say that, leaving apart the question of hoards, you think she could command any standard which she wished?—The hoards are the real difficulty.

10,345. Apart from the hoards, you think she could command any standard which she chose?—I think it might be possible for India to have a gold standard, and that the thing could be done with careful and prudent management, but that the Indian Government would have to face the difficulties of the money market at times, which all countries in a certain position have to face, with reference to maintaining a gold standard, and that that is not an easy matter.

10,346. Do you think that those difficulties would be at all lightened if some automatic machinery were provided like the Act of 1844—if a bank were started in India like the Bank of England?—I think it is a very good arrangement in all countries that the Government should have a bank in which to deposit its money and upon which to write its cheques, but how far the circumstances of India would enable such a bank to be established in a proper way I am not able to say. I am old enough to recollect that you had trouble in India in the sixties with the Government having some share in the management of the Bank of Bombay, which did not answer altogether very well; but that would not apply to a bank like the Bank of England.

10,347. I was not asking you as a business matter, I was asking you as an economist, whether it was not a good plan to separate the management of the currency from the Government?—I think it is a good plan. As a rule you ought to have a bank doing business for the Government as well as other people.

10,348. And looking after the currency?—Not so much looking after the currency as doing banking business.

10,349. I mean, automatically looking after it?—What I mean is that you ought to have a mint and that the currency issues ought to belong to the bank and not to the Government. That is the general view that I have in these matters.

10,350. (*Sir C. Crosthwaite.*) Speaking of raising revenue, and what you thought was the backwardness of the Government in dealing with it, you laid stress on the railway revenue and you thought that it might be increased by raising fares and freights. Do you understand that a large proportion of the railways are not in the hands of the Government? I think roughly about three-fourths of them are either owned or worked by companies to whom they have been leased?—The figure I was looking at was the gross income appearing in the accounts of the Indian Government. I could not go into the question of how the railways are managed.

10,351. But you understand that, if the rates were raised, a good deal of the money would go into the hands of the shareholders and not into the Treasury?—I assume that a great deal would have to be considered—that there would be outlays on the other side.

10,352. The railways in India, just like the railways here, are owned by companies to a great extent, and, if more money was obtained by raising the rates and fares, that money would go to increase the dividends of the shareholders in England?—That would be so, so far as the shareholders are interested, but I think it is quite possible that I may have misunderstood the degree of effect of that item in the accounts of the Government. I assumed that, if you put down so much income as coming from railways in the accounts of the Indian Government, that applies not to railways which belong to shareholders, at least not to the whole amount, but it applies to the share which the Government receives.

10,353. If you found that a great deal of the money so raised would go into the hands of the shareholders, and not into the Treasury, you would take a different view of the case?—*Pro tanto*, that would affect my view, certainly.*

10,354. Now, as to import duties. You perhaps know that the rate of import duty used to be 10 per cent.?—All over?

10,355. Yes, I think so, after the Mutiny, and it was subsequently lowered to 7½ per cent., the reason, I think, being that it was found to interfere with trade?—I cannot go into the history quite so far back as that, but what I was speaking about was a comparison of the Indian tariff with the tariffs of other countries.

10,356. The countries that you compared, are they not highly protective in policy?—They are spoken of as protective in policy, but I do not think that applies to the tariffs, because, as a matter of fact, the tariffs have not the effect of protection, because you have not got the industries to protect.

10,357. (*Sir A. Dent.*) You said that silver, in your opinion, was a good currency for India. If it is a good currency, say, at 60*d.* an ounce, would it be an equally good currency, in your opinion, at the present price, say, 27*d.* an ounce?—I think it would be a very good currency at the present price.

10,358. And, if it dropped to 20*d.* or 15*d.*, it would still be a good currency?—I took an extreme case in the second of those memorandums that I wrote in 1879; I looked forward to the possibility of a fall to 6*d.* as one of the things that you ought to consider;

* *Note added by witness:*—I ought to add that, if rates are raised in consequence of a real depreciation of the rupee, the question of raising the rates would still be a proper one, whether the shareholder or the Indian Government got the benefit. The object in that case would be, not to make any heavier charge on those using the railways than what existed before, but to make the same real charge; and this would be quite reasonable, whether it is done for the Government or the shareholder. I understood the questions as bearing on the extent of the benefit the Government might receive from altering the railway rates.

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but there is no reason why money may not be very good, in spite of change of that kind with reference to other money.

10,359. Even though the price fell to 6*d.*, it would still be a good currency for India?—Even if the price fell to 6*d.*, or to put it the other way, even if gold rose to double the present ratio to silver.

10,360. (*Sir D. Barbour.*) You are familiar with the phrase "balance of indebtedness" between two countries?—I am familiar with the phrase.

10,361. Do you think the fact that gold is imported from one country into another is always a sign that the balance of indebtedness is in favour of the country into which the gold is imported?—It is commonly spoken of, and, of course, that was with reference to countries more like England which were in people's minds; but I should say that the movements of both gold and silver, apart from currency, are to be treated just as the movements of any other commodities, and not to be treated specially in any way.

10,362. For example, if there were a number of men in a country who were in the habit of using gold for ornaments, gold would be imported into that country to supply the demand whether there was a balance of indebtedness or no?—Just so; the balance would not affect the question.

10,363. It is the movement of the currency of one country from that country into the currency of another that is an indication of the balance of indebtedness, and not the movement of gold and silver from one country to another as merchandise?—Even then one must be careful. The movement of the precious metals does not always show a balance of indebtedness, because it may arise from operations connected with the value of money, and may be temporary. It does not always show the balance of indebtedness and that money is being taken to pay the difference.

10,364. (*Chairman.*) I have only one question to ask you with reference to something you said this morning, namely, that you thought that the cause of these proposals was mainly the financial difficulties of the Indian Government?—That was the impression conveyed to my mind.

10,365. And not as affecting trade?—Not so much as affecting trade.

10,366. Since you were here before, we have received a letter signed by a large number of manufacturers. That letter will be upon our Minutes, and, as you have not seen it, I should like to read you two or three paragraphs from it, and ask your opinion upon them:—

"We, the undersigned manufacturers in the West of Scotland of cotton and other goods for the Indian markets, desire to put a brief statement before your Committee showing the effects of exchange fluctuations upon our trade.

"We have some reluctance in doing so, but we note from the Blue Book, recently published, that evidence has been given, not only by export and import merchants dealing with India, but also by the tea producers there; while the British manufacturer of goods for the Indian markets has not been represented.

"We desire to draw your attention to the following points:—

"(*a.*) The point brought out by Sir Francis Mowatt (Questions 4290–91 of the Blue Book, Indian Currency Committee, 1898), that it is the producer in India and the producer in this country who are properly comparable, is of much importance, as showing that the latter is equally entitled with the former to a fair share of consideration.

"(*b.*) The unlimited coining of depreciating silver from 1874 to 1893 for all comers, and the consequent fall in the basis of exchange, had a serious effect upon British industries. The extra rupees required to cover the sterling costs were often not to be obtained, or, if obtained, it was only after a prolonged delay—the result being that the British manufacturer had frequently to work without profit, and often at a loss.

"While on this point, we would call your attention to Question and Answer 6110 of the Blue Book, in which it is stated that Glasgow and Manchester exporters do not require to enter into any transactions, unless they choose. This may be the case of the merchant, but the manufacturer, whose machinery is adapted chiefly for the Indian trade, must continue producing, even at considerable loss, rather than face the complete stoppage of his mills or dye works and the disbanding of his trained employees.

"Further, when exchange is fluctuating, the Indian buyer, who cannot foresee the rate of exchange at which payment will be made, is chary of making sterling purchases of goods which cannot be delivered for many months to come.

"But, if he does make such a purchase, and finds, on coming to pay the price, that the exchange has gone against him, and that he has to remit more rupees than he contemplated when he placed the order, he frequently finds some means of repudiating his purchase, with the result that the British producer becomes a heavy loser.

"If any actual proof of the effects of exchange upon our trade were required, we could show (1) that the years of a low or falling rupee were years of restricted output and unprofitable business; (2) that, with the gradual rise of the rupee since 1895, a decided improvement set in and that, too, in spite of war, plague, and famine in India; and (3) that, in particular, we have benefited by the steadiness of the rupee during the present year." What have you to say to that statement?—Of course you do not expect me to answer a long statement of that kind off-hand, and I do not suppose that you read it to me for the purpose of giving me an opportunity of replying to it. It hardly bears on the question as to the motive of the Indian Government in making a change which belongs to a past time. They had not this memorial before them.

10,367. But they had the case of British trade before them?—The impression one gets from all the papers is the emphasis which the Government of India put, not upon the trade difficulty, but upon their own difficulty, and I should still be inclined to say that that is the impression left on my mind by all the proceedings.

10,368. Of course, I knew that you could not answer off-hand. I only wanted to put before you the fact, which was not before you when you were here last time, that there is evidence that it had affected trade, in case you cared to modify the view that you expressed?—I think I may say at once that I am quite aware of a very considerable body of opinion, or a certain body of opinion, amongst gentlemen who some years ago were against the closing of the mints, and are rather now in favour of the present state of things. For a very good reason: business people always object to change, and now you have a feeling in favour of the present attempt to go over to a gold standard amongst people who were previously adverse to it. But I do not think that the statements made in that memorial, as far as I have been able to follow them, would justify one in saying that for India, the people in India, the silver standard was not the best. These are gentlemen writing from the point of view of their own interests as traders, and that is by no means conclusive of the matter. What ought to be looked at is the interest of the people of India, taken as a whole. I think there is no reason to believe that the appreciation of money (which is what has happened to some extent) is more favourable to trade and commerce than the opposite course of a slight depreciation, or even a large depreciation.

10,369. The point is the unstable exchange—it is not a question of depreciation?—That is a question which affects people trading with India, and they attach great importance to it undoubtedly. All I am noticing now is that it is by no means conclusive, and that the subject must be looked at in a much more general way, and with reference to the evidence of people like

Mr. Stephen Ralli and Sir Forbes Adam and many others who are entitled to speak on trade matters.

10,370. Then you personally do not consider that a fluctuating exchange is a disadvantage to trade?—Not so great a disadvantage to trade. It is a question of degree.

10,371. It is not a great disadvantage as a rule?—It is a question of degree.

10,372. (*Sir F. Mowatt.*) Perhaps I may remind you that this question of Sir Henry Fowler's was put to you, not for the purpose of the answer that you gave, but to draw your attention to the fact that there were other considerations within the knowledge of the Indian Government besides the difficulty of their meeting their own sterling payments?—There is no doubt of that.

(*Sir J. Muir.*) I am very sorry I was not present when you gave your evidence before, and therefore I have nothing to ask you. I am also sorry that I was not present when Mr. Galloway gave his evidence, because there were several questions that I should have liked to put to him. As the Chairman has been good enough to read an extract from this memorial from the manufacturers of West Scotland, I should like by-and-by to have another witness from Glasgow, who would give very different evidence to this. Beyond that, I have nothing further to say now.

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The witness withdrew.

TWENTY-THIRD DAY.

Wednesday, 30th November 1898.

PRESENT:

The Right Hon. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Sir ALEXANDER MACKENZIE, K.C.S.I., called and examined.

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10,373. (*Chairman.*) You have served, I think, for 36 years in the Bengal branch of the Indian Civil Service?—Yes.

10,374. You went to India in 1862, and retired from ill-health last April?—Yes.

10,375. Will you state what your administrative experience in India has been?—I have filled many offices during that term, including those of Subdivisional Officer, Superintendent of Labour Transport to the Tea Districts, District Magistrate and Agent to the Governor-General with the Nawab Nazim, Under Secretary to the Bengal Government, and Secretary to the Board of Revenue. I was the first Financial Secretary to the Bengal Government when the Decentralisation Scheme took effect in 1877, and after that was Revenue Secretary to Bengal. From 1881 to 1887 I was Home Secretary to the Government of India. From 1887 to 1890 I was Chief Commissioner of the Central Provinces. From 1890 to 1895 I was Chief Commissioner of Burma. In 1895 I was Home member of the Viceroy's Council. In December of that year I became Lieutenant-Governor of Bengal.

10,376. With that long experience, you are pretty well acquainted with the financial conditions of India?—Of course as far as an administrator must be.

10,377. Can you say, from your own experience, whether the closing of the mints had any effect on the amount of currency available in the interior of Bengal?—The closing of the mints had no appreciable effect in the interior of the country, so far as I was ever able to discover. The mass of the people, of course, knew nothing about it, but the dearth of loanable capital in the Presidency towns, whatever its cause, was not accompanied by any observable scarcity of rupees in the rural bazaars and markets or in the interior generally. I never heard that trade operations were interfered with by any such want of coin, and, had they been, it would certainly have come to my notice. No doubt, during the famine year, and in distressed tracts, there was a local rise in the rates of interest, and some people found difficulty in getting loans; but this, as the local officers pointed out, was not due to scarcity of currency, but was the natural result of an excessive demand for accommodation and the failure of the ordinary form of security, to wit, the crops. There has, I believe, been no permanent rise in the rate of interest since the famine ceased. There has certainly been no preference anywhere shown for paying rents in kind. The cultivators in Bengal generally are accustomed to, and prefer, money rents. Rents in kind involve an amount of landlord interference which the Bengal ryot does not like. In Behar they prevail only in a limited area, and no wish to extend the system has been brought to the notice of the settlement officers now working in North Behar.

10,378. Are we to understand that the tenants would have the right to pay either in cash or in kind?—No. In certain tracts rents are paid in kind, and the tenants have by law a right to apply for their commutation to cash. In settlement operations, if the tenants were discontented with cash rents, they would naturally ask the settlement officers whether they could not have the cash rents commuted to corn rents; but there has been no tendency to that. Mr. Finucane, the Revenue Secretary to the Bengal Government, who knows more about the agricultural conditions of Bengal than almost any other living man, is now on short leave home; I saw him the other day, and I asked him this question. I knew that in the settlement proceedings going on in North Behar there had been no tendency of that kind; but there has also been considerable re-settlement going on in South Behar, in which rents in kind do prevail; and I asked Mr. Finucane about those. He says that there

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several of the ryots have been going to the settlement officers, begging to have the rents in kind converted into rents in cash; and he says this has been done also in a tract of country in Midnapur in Bengal. That is a limited area, in which rents in kind prevail. The ryots there have been applying to have the rents altered; so that the tendency has been rather the other way.

10,379. (*Sir F. Mowatt.*) Those rents in kind are payable to the landlord, not to the Government?—Certainly.

10,380. The Government collects no rents?—The Government collects no rents.

10,381. (*Chairman.*) This is not the land revenue?—No, it is the rent.

10,382. It is the rent paid by the ryot to the man who pays the tax—to the man who holds the land from the Government?—Yes. That was one of the questions enclosed in the list of questions sent to me—whether there had been any preference shown for payment in kind over payment in cash. The evidence shows that the tendency has been the other way.

10,383. Would that indicate whether the tenants were pretty well provided with rupees?—Undoubtedly. If they found any difficulty in getting rupees, you could not imagine that they would come and ask to be allowed to pay in rupees instead of in kind. One reason why rents in kind are objected to by the Bengal tenant is that they involve an amount of interference on the part of the landlord with the crops, and so on, which is extremely repugnant to the Bengal tenant.

10,384. During your term of office as Lieutenant-Governor of Bengal you travelled through a great part of the province?—Yes.

10,385. If there had been a general dissatisfaction arising from a want of currency, you would have heard of it?—Undoubtedly. I was actually mobbed by crowds complaining of the high price of food, but I never heard of any complaint of the want of currency. And, moreover, the land revenue was paid up punctually during the famine year; we gave no remissions in the famine year, except here and there in Orissa. The landlords, of course, complained that they were unable to get their rents, but that was perfectly natural in a famine year; and, besides, they all told me that they would have no difficulty after the famine in collecting their rents, and they are in fact recovering them.

10,386. Was the famine in Bengal last year as severe as the famine in 1875?—Most certainly. Prices started in the late famine where they left off in the previous one. The last famine was every bit as severe as that of 1875, but we met it at one-sixth of the cost, and it has left less marked effects behind it. I was familiar with the state of Behar in both famines, having been on special duty in connexion with the former famine under Lord Northbrook's orders, and I was greatly struck last year by the improved strength of the cultivators in meeting distress. They suffered, doubtless, but not sufficiently to bring them in any considerable numbers on relief works. They have benefited by the railways; they have had good prices for their produce, and, above all, their position has been improved vastly in Behar by the settlement of their rights and relations with their landlords.

10,387. Would you say that no famine in India in modern times has been grappled with so successfully as this famine?—I should say so, certainly.

10,388. Is not that an indication of the improvement of the condition of the people?—There is no doubt of that. I can only speak with authority as regards Bengal; but there is no doubt that the people are much stronger now than they have been, even in Behar, which always was a bad tract.

10,389. Has the expenditure out of the famine insurance fund on railways been a beneficial expenditure?—Undoubtedly. It has, no doubt, had an effect on prices; that is to say, in the old days you had so many closed compartments, as it were, and prices were settled by local circumstances. This time, with more equalisation of markets, we were enabled to meet the famine in a very much more satisfactory manner. In 1875 I had a great deal to do with the operation of sending up rice to Behar. We trusted this time entirely to private trade, and it never failed us; it was quite equal to it. I had a little difference of opinion with the Government of India with reference to one tract where I was doubtful whether the local trade would compass it; I had visited the tract and talked to people who knew it, and there was some fear that the local trade might not prove equal to the emergency; but I got permission to make advances wherever it was necessary, and to give our relief officers leave to import rice if necessary for the works, and the difficulty eased itself off; the trade rose to the occasion and brought up the rice.

10,390. Then if you were told that the Government of India were responsible for the famine; that they could have prevented it; and that they are to be held chargeable for the sufferings inflicted upon the people of India by it, you would not agree with the statement?—It is preposterous.

10,391. Now, were there any complaints during the famine of the fall in the value of silver ornaments?—I have not heard any complaints of that sort, and, as a matter of fact, the labouring classes, who were the chief sufferers by the famine, do not use silver ornaments, but pewter, lac, or brass work. It is fantastic to suppose that natives of India hoard mainly in the shape of ornaments to be sold and melted down when pressure comes. A man buys ornaments for his women for the same reason that men buy ornaments for their wives at home. He may be a little more extravagant than he otherwise would, because he thinks he can realise on them, if need be, but he buys trinkets to keep as ornaments. If he has rupees which he wants to hoard, he naturally keeps them in that shape. I have seen chests full of rupees in the treasury of a wealthy native landowner. The appreciation of the rupee was a clear gain to most hoarders and probably brought out many hoards.

10,392. In Bengal, do they wear rupees as ornaments?—Occasionally; not so much as they do in Burma and other places. They are generally melted down into simple bangles and necklets, and so on.

10,393. Do you think there is a large hoarding of rupees?—I think there is very little doubt of that; you cannot account otherwise for the silver that has gone into India, and has not come out.

10,394. Well, we cannot account for the gold?—Nor for the gold. We know that a large amount of gold has gone into India that has never come out. If it is not out of place to tell an anecdote, I may say that on one occasion, when I was district magistrate, I had to search the house of a native landowner—a very wealthy man, who was also a moneylender. A charge was made that dacoity had been committed, and that a certain amount of property was somewhere in the house of this landowner, and, accordingly, I had to go and search it. I remember there was one chamber built off the staircase with a doorway only two feet square heavily secured. That room was locked. When I got to that, I asked: "What is this"? They said: "This is the treasury." I said: "Of course, I must see that." Then the room was opened, and I found it was simply crammed full of ornaments; some of them extremely valuable; a fair number in gold; many of them encrusted with jewels that looked good, but which were probably, like most native jewels, flawed; but still, there was a great mass of wealth there. This landowner acted as a local pawnbroker, and that would probably account for a good many things; but what struck me most was the number of ornaments that had come into his possession. They were mostly silver ornaments.

10,395. (*Sir F. Mowatt.*) Had he no gold wedges?—No, there was no bullion of any kind.

10,396. (*Chairman.*) Now, I think you had some communication with Mr. Bourdillon, who was Commissioner of the Patna division during the famine?—

Yes, he happened to be home on furlough recently, and I communicated with him, and he entirely endorses what I have said. He says that, had there been any want of silver coin in Behar, he must have heard of it, and I believe that is true for the whole of the rest of Bengal. Such a scarcity must have come to the notice of the district officers, and so to the notice of the Government.

10,397. I was going to ask you whether in Behar the monetary transactions of the people are not in copper?—They are, and not only that, but they ordinarily express themselves in terms of copper pice.

10,398. What were the relief payments made in?—They were made in copper at first; but gradually, so to speak, a sort of taste for silver was created, and these payments steadily increased in popularity; but I may say that at no time was any difficulty felt in obtaining silver from the bunneahs in exchange for pice. That is Mr. Bourdillon's statement.

10,399. What is a bunneah?—He does money-lending as a rule, but he is generally a grain merchant also.

10,400. You say there was no difficulty in obtaining silver where it was required?—No, Mr. Bourdillon was entirely clear about that.

10,401. Taking your general experience of Bengal, what proportion would you say of the monetary transactions of the bulk of the people is in copper?—In rural markets they are almost entirely in copper. Their purchases are small.

10,402. So far as they are concerned, questions of gold currency, and silver currency even, are not very important?—No, and that is one of the reasons why I have held that the difficulties of introducing a gold currency are exaggerated.

10,403. How are their wages paid?—The wages of the agricultural labourer are for the most part, I think, paid in kind; then the labourer sells to the bunneah, or he uses the stuff as it suits him. That applies to the great bulk of the agricultural labouring class. Of course, in the case of servants of Europeans, and so on, they are entirely paid in silver.

10,404. They are paid monthly?—They are paid monthly, as a rule. It is almost the general rule in Bengal and Behar that the wages of the agricultural labourer are paid in kind.

10,405. Now, just before we leave the famine in Bengal, have you anything to say about the position of Bengal under the permanent settlement—I mean about the land revenue being a lighter charge there?—I consider that was the reason why we were able in Bengal to dispense entirely with remissions. In Behar we had large and substantial landowners, for instance, the Maharaja of Durbhunga, who not only paid his land tax, but made quite regal contributions towards famine relief. Then we have also small landowners in Behar in considerable numbers, and they paid their revenue even in the famine year in the ordinary way. There were no applications for remissions, or anything to show that they found any difficulty in paying.

10,406. Of course, it is open to this observation: That the fact of the Zemindars easily paying their land revenue to the Government indicates that they have a large margin, which some people think ought to belong to the Government, instead of to the Zemindars?—That is so, although you have to discount that by the fact that the margin is distributed over a large number of people. There is much sub-infeudation in Bengal.

10,407. Now I come to the re-opening of the mints. I do not know whether you wish to express any opinion, first, as to the policy of closing the mints?—I think it was a measure which was absolutely called for at the time, and the pity is that it was only a preliminary step which had to be followed by others. I hope the appointment of this Committee indicates that those further steps are to be taken.

10,408. At the time that policy was entered upon, you were in Burma?—Yes in 1894.

10,409. At all events, that step, as a step, was not only one of which you entirely approve, but one that you thought was absolutely necessary?—Yes.

10,410. What do you say as to the re-opening of the mints?—I think that would be ruinous. It would involve, undoubtedly, very heavy taxation.

10,411. Why?—Because the Government would have such an additional charge thrown upon it to meet its home remittances that it could not avoid some increase of taxation. Every fall of a penny in the exchange means a very large demand upon the Government.

10,412. There would be a great increase in the expenditure of the Government of India, which the existing revenue would not meet?—Quite so.

10,413. Now, what is your objection to new taxation?—Well, even in Bengal—Bengal has the reputation of being the safest province, I believe, in India—but even in Bengal we could not do it without serious risks of trouble and political disturbances, and, I think, the taxation already imposed since silver began to fall is as much as the country can properly bear.

10,414. I do not know whether you have read the evidence of Sir Antony MacDonnell as to the North Western Provinces?—Yes, I have seen that.

10,415. He expressed a very strong opinion that the imposition of new taxation would be a serious danger to the public peace?—The danger in the North-West, of course, is more real and urgent, if I may say so, than in Bengal, because the people of Bengal ordinarily are quiet enough; still, they can give trouble, and in the Eastern districts the people are as difficult to manage as the people in the North Western Provinces.

10,416. Then would you say that, if it would create political excitement in Bengal, it would *à fortiori*, create at least as much excitement in other parts of India?—Undoubtedly; it would be a most unfortunate position.

10,417. We are told that imposing new taxation is a "mechanical operation" which the Government ought to face, and could face easily. Now, if you were called upon as an Indian administrator to perform this "mechanical operation," will you tell us where you would raise this money?—If I had to "turn the spigot of taxation", I should find it very difficult now to suggest anything. Everything has been exploited that could possibly form a source of revenue. The land revenue of Bengal is permanently settled, and cannot be touched. As to the temporarily settled provinces, if you raise your land revenue there, the people would naturally complain that they were being inequitably treated in comparison with the landowners in Bengal.

10,418. And that would involve a new settlement?—Yes.

10,419. That would be a process extending over many years?—Yes. Of course estates are always coming in for settlement, even in Bengal, but it would be extremely difficult to establish an entirely new *modus* of settlement alongside the existing one. If you put a new settlement upon one estate which falls in, which is simply an *enclave* of other estates, the owner of that estate will feel himself greatly aggrieved. The landowner is, moreover, not bound to take the settlement; he can refuse to take the settlement, and then you are bound to give him a *malikhana* of 10 per cent. on the revenue which you have proposed to him. The effect of that would be, probably, that you would raise your demand, and the landlords would refuse to settle, and you would have to pay them a *malikhana* of 10 per cent. on your demand, so that you would after all, probably, not get anything like the amount demanded. You would also have the Government loaded with the direct management on the spot (I am talking at present of Bengal) of a large number of small estates which could only be managed at a very great expense, and I think the profit at the end of the operation would be uncommonly little.

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10,420. Where a man refuses to come under a new settlement, how long does the new arrangement last; it may be an annual arrangement, I suppose?—The arrangement lasts as long as the landlord refuses settlement. The old policy was to farm out such estates. That has been abandoned in Bengal since Sir George Campbell's time, and we now manage all such estates directly. We manage them either by *tahsildari* establishments or by sub-deputy-collectors.

10,421. But as a practical man you reject the idea of tampering with the land revenue?—Oh, yes; that would involve the whole faith of the British Government.

10,422. I think the land revenue represents about one-third of the income of the Indian Government?—Probably.

10,423. Now to come to the next item of taxation; I think the salt tax ranks next?—I have had no papers or books about me since I have come over here, but I think the salt tax is quite as high as it ought to be now, and my own view is that it ought always to be kept low and kept in reserve as a war tax.

10,424. You would very much deprecate any increase of the salt tax?—Certainly.

10,425. In fact you would like to see it reduced?—Yes.

10,426. What do you say about opium?—That is going away altogether, I am afraid.

10,427. It is a falling revenue?—It is a falling revenue undoubtedly. It is a thing on which it would be very dangerous to count.

10,428. How about excise?—We have got the excise duties as high as we can make them, as long as you do not allow out-stills in Bengal. That, of course, is an income at the disposal of the local governments, and you cannot get much more out of it than you are getting now.

10,429. Then, stamps?—Stamps are a universal subject of complaint. They are very high. The stamps on litigation are constantly being complained about. As the country progresses, no doubt, the revenue will grow of itself. You might get something, perhaps, out of probate.

10,430. Do you think that a large revenue could be obtained from Death Duties in India?—There are many difficulties in the way owing to joint families and so on, and these have prevented Government from resorting to probate duties. I have never been of opinion that it would result in a very large increase, but it might bring in something. It is one of those little trifles which the Government is entitled to consider.

10,431. But we are now talking of millions?—That, of course, is out of the question.

10,432. Now, have you anything to say about income tax?—No.

10,433. I think the agricultural classes are exempted from income tax?—Yes, and practically, since things have settled down, the tax is collected with wonderful ease. It is very much disliked, naturally, but I should leave it alone. I do not think you would get much more out of it.

10,434. Two other sources have been suggested to us recently for increasing the revenues of the Government of India. The first is Customs duties. We are told that they are exceedingly small, that they are not appreciably a burden on the people of India, and that they might be very much increased. They amount now to a uniform 5 per cent., and they bring, at the rate of 5 per cent., about 4 crores?—I think they are high enough myself, and that to increase them would affect the imports injuriously.

10,435. You think it would affect trade?—It would affect trade. Of course I am not a trader, but that is my impression.

10,436. Would you agree that they would require to be enormously increased to bring in any substantial increase of revenue?—I think so.

10,437. There was another matter which was put to us yesterday, about raising railway rates. One witness yesterday was of opinion that we could have a very large increase of income by increasing the railway rates?—I do not think you would find that the trading community would agree to that. The opinion in Calcutta is that rates are high enough already.

10,438. But, apart from the complaints of traders, what is your opinion as to the practicability of it?—I think it would be bad policy.

10,439. You think it would diminish trade?—I think so.

10,440. How about passenger fares?—They are low, and the lower you make them the more traffic you get.

10,441. It is the low rates for passenger traffic that have attracted the heavy traffic there is?—Undoubtedly. The people of India, taking them all round, are not wealthy, although I do not admit that India is so poor a country as it is often represented to to be; but by raising the railway rates you would injure the traffic undoubtedly.

10,442. May we take it as the result of your survey that you do not think that a heavy increase in the taxation of India is a practicable policy which you could recommend to this Committee?—I hold that opinion most strongly both on financial and public grounds. There is another aspect of the case which I ought to refer to. Supposing you throw fresh burdens on the provincial governments, you compel them to increase their provincial cesses. These are already sufficiently large, and they are only made palatable to the people by the pledge that they shall be spent on local and provincial objects. To raise the provincial cesses in Bengal, in order to give a cheap rupee to Assam, appears to me a monstrous proposal.

10,443. There has been an increase in the taxation of India since the fall of the rupee?—Oh yes, a very heavy increase—something like 6½ crores, I think, since 1884.

10,444. Therefore we do not commence with a clean sheet. The experiment of increasing taxation in order to meet the loss accruing from the fall of the rupee has been already tried?—Yes, and it has been carried as far as it can be, I think.

10,445. That is all we need go into, on the subject of increase of revenue. Now you have retired from the Government service?—Yes.

10,446. Then I will just ask you what are your views upon the question of a reduction of expenditure?—I will not deny that there are all sorts of little pickings that the local governments can make here and there in various ways. As the Financial Secretary who introduced the Decentralisation Scheme in Bengal, I made a comfortable little purse out of them, but that is not big enough to meet Imperial wants. When you come to talk of Imperial wants, the only items of expenditure the savings on which would have any material effect are the civil charges and the military establishments. I say that neither could be reduced without risk, or to an extent likely to meet the deficit caused by a further fall in the rupee. As regards the army, I have myself little doubt that the pay and pensions of the native soldiers will again have to be raised ere long, and every improvement in the position of the English soldier at home means extra cost in India to India.

10,447. The pay of the native soldier has been raised?—It was raised a year or two ago.

10,448. When we raised it in my time it took, I think, 300,000*l.* or 400,000*l.*?—I think it is almost practically certain that, with the rise of wages that has certainly begun, and will probably go on, you will have to raise the pay of the native soldier again. You cannot get the best class of men without it.

10,449. Is there not another question coming up with reference to expenditure, namely the wages of the police?—That is a very pressing question. We have increased the expenditure very considerably in Bengal, but we have not made it adequate yet. We have not got the class of men we ought to have.

10,450. And you cannot get them until you pay more for them?—Exactly.

10,451. In fact, the weakness of the Indian police arises, to a great extent, from its cheapness?—Yes, the low pay. What we have found in the judicial service is, if we pay the native servants well, we can get men as honest and straight as any class of men in the world. A more satisfactory class of officials than we have in the uncovenanted Civil Service you could not possibly get. We have not yet got so far in the matter of police. We have a police school now in Bengal, and they are trying to get the educated natives to join the force, but, hitherto, the officers have been men promoted from the ranks, bringing up all their bad traditions with them.

10,452. That means that, instead of reducing your civil expenditure, the probability is that you will have to increase it?—I think so, in several directions. There is a great outcry in the native press about the rate of pay of the subordinate civil establishments—apart from the police—the process servers, and so on. Year after year, in the Bengal Council, the suggestion has been made that the recommendation made by the Committee of Judges and others, who inquired into the question, should be carried out, and the answer has always been, "we have not got the funds."

10,453. I suppose, in India, the majority of the people expect the Government to do everything?—Entirely.

10,454. And, I suppose, the Government has effected all improvements in the past?—Well, it has been the leader.

10,455. I mean canals, railways, roads, sanitary works, irrigation—all these have been initiated by the Government?—Practically, the Government has been the developer of the country, as I have said. Then, as to the reduction of expenditure, I wanted to say that, as regards the Civil Service, I hold very strongly the view that we are carrying to the verge of rashness the introduction of the native element in the higher branches. We have already barred Europeans very largely from the uncovenanted service. Any serious reduction in the numbers of Europeans now in the service could not take effect for some years to come. Vested interests must be considered. But it would, in my opinion, be folly to attempt such reduction. We have barely enough of the European element as it is, and, even in Bengal, are constantly hampered by its weakness. I might explain this further. We have a large number of sub-divisions in Bengal in districts where indigo is grown by European planters. There are also a considerable number of new mills and industries growing up, not only in Calcutta and its neighbourhood, but also at places in the interior where European capital is employed, and Europeans are engaged; you must have Europeans in charge of these districts, or you cannot avoid difficulties. I have found the greatest difficulty in manning these sub-divisions with Europeans, because the uncovenanted service and the covenanted service have been very seriously depleted in strength in the last few years, notwithstanding the attempts that have been made to strengthen the latter. I would deprecate strongly any further reduction of the European element in the service.

10,456. But, even if there was a reduction of the European, and an increase of the native, element, the native element requires, practically, to be paid on the European level?—Of course they like it; that is the claim.

10,457. At any rate, it is an unreliable financial source to look to?—It is; and, of course, now in the provincial service all have been put on the same level. That has had the effect of removing certain anomalies, and the natives have displaced a certain proportion of the European service, but the pay is all alike.

10,458. Then what have you to say as to possible reductions in public works?—The very classes who vaguely clamour for reduction in expenditure are those who are most constantly demanding improvements, and further outlay on communications, schools, water-supply, and so on. Some natives, it is true, denounce railways as made only in the interest of the English capitalist, and would have no more of them. But the majority look to Government for improvements of all kinds, and grumble greatly if they do not get what they want. They are also constantly clamouring in the native press for increased pay to native establishments, as I have stated already.

10,459. Now, perhaps, you will deal with the charge that the agitation against the silver standard is a selfish official or Indian Government movement?—It appears to me that that ignores the fact that the Government is at present the principal agent in developing the country. Everything prejudicial to the financial position of the Government is detrimental to the country at large. Any temporary profit of the exporting merchant due to depreciated exchange is made at the cost of the Government and of India—their interests are identical—and, if the depreciation involves extra taxation, the mischief is enhanced. I have said that the Government is the chief agent in developing the country, but—and this is a very important point—we must remember that the operations of the Government are restricted, first, by considerations of its general financial position, and, secondly, by the fact that it can only apply its capital to certain forms of development. It can make railways, and canals, and roads, but it cannot take up and develop new industries, though, without industrial developments, its railways, for instance, fail of their full effects. Hence the importance of facilitating the influx of private capital, and this can only be done by establishing a stable par of exchange.

10,460. Have you formed any opinion as to whether private capital has been flowing in or flowing out of India?—Flowing out, most certainly, since the fall of the rupee.

10,461. Not flowing out on other grounds, but on the ground of the instability of exchange?—Well, I suppose most men did what I did; I got as much of my money home as possible, when exchange had got as high as I thought it was likely to go to.

10,462. Will you tell us what you think about the tea industry, which is a very important industry in India?—I am myself largely, for a man in my position at least, interested in tea, although I think I must honestly say I wish I had never seen tea outside a teacup. Nevertheless, I have not been able to convince myself that the Government would be justified in yielding to the cry of the tea planters for a cheaper rupee. My view is, and it is formed with some care, that the tea industry is at present suffering more from over-production and internal causes than from a rise in exchange, and I believe it could adjust itself to a stable 1*s.* 4*d.* rupee, just as it flourished while the rupee was even higher.

10,463. What do you consider the range of years in which the tea industry flourished?—That is a matter of statistics, and I do not carry them in my head.

10,464. But it has been flourishing?—It has been flourishing, undoubtedly, in the past.

10,465. For a period of years, during which there was a high rupee?—Oh, yes; higher than it is now, certainly.

10,466. Now, have you any fear of Chinese competition?—I have no fear of Chinese competition, if only the Indian planters and agents show energy and resource in meeting the requirements of the tea markets of the world. But I am afraid that the trade does not display so much resource as it might.

10,467. At the present moment the tea producer in India beats the Chinese producer in the English market?—He has beaten China out of the market for reasons which may depend on the quality of the tea.

10,468. Chinese tea is the cheapest in London, and yet the Indian tea commands the market?—Yes, I suppose Indian tea is really cheaper.

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10,469. It is better, I suppose?—Yes; less of it makes more infusion.

10,470. You said that you thought the tea industry was suffering from internal causes. What do you mean by "internal causes"?—The first cause I put down is bad management. It is by no means easy to find men competent to manage large gardens. Agents push their young kinsmen and friends into assistantships and managerships, and these pick up their experience at the cost of the shareholders. The conditions of profitable cultivation have changed. Machinery has come in extensively, and the practice of consolidating a number of neighbouring gardens under one management, and with large central factories, is becoming usual. These want expert management, and it is hard to get. In fact, I know well the difficulties which there are in getting experienced managers in India. May I expand that by an instance in my own experience of how bad management has affected things? I have, unfortunately, a large interest in a series of gardens, which have been converted into a sterling company, and are held in London. Having nothing to do the other day, I went to the last annual meeting of the company. The meeting consisted of the agents, and a few assistants in the office, who held a few shares for the purpose of voting. I was the only outsider present. The report was laid on the table. Now, that garden had been paying 7 per cent. dividend for a considerable number of years, and last year it paid nothing. But the report entirely failed to account for the fact; there were the usual statements; the bad year was put down to this, that, and the other thing; but they had taken no account in the report of the excessive cost of rice; and there were others of their figures as to which I asked for explanations, which, with some little difficulty, I at last got; and then it appeared that the fact had been entirely concealed in the report that the manager had behaved so badly that they had had to dismiss him. That was not brought out, because, of course, the agents are responsible for the appointment of the managers, and they do not like their shareholders to know that their men have failed; but there it was. It was nothing but bad management. If the garden had been properly managed we should have had—perhaps not 7 per cent. dividend—but we should have had something. That state of things is much more general than is supposed. Then there is the excessive cost of procuring labour.

10,471. Is that an increasing cost?—It has been pretty high for a number of years, and it ought not to have been increasing. This is a matter which has been the subject of much discussion. Government has, perhaps, been a little too *difficile*, and has not yet done all it might to facilitate recruitment.

10,472. Now, you said something about the excessive cost of rice. I suppose some part of the wages are paid in rice?—The coolies holding contracts under the Act are entitled to have rice provided by the employer at about 3 rupees per maund. Of course, rice this last year was much above that, and that has to be taken into account.

10,473. That has imposed an additional burden on the tea planter?—Well, the real wage is practically so much increased.

10,474. Is there anything else you want to say upon that?—Then another cause is, what I call excessive agency charges. I believe, if the planters were polled, and dare speak their minds, (which they are not always able to do), this would be indicated as one of the principal obstacles to making gardens pay. Agency houses start gardens and induce people to take interest in them. They often provide for insufficient share capital. Difficulties arise; the agency charges add to these. Money is advanced at high interest. Eventually the gardens are swallowed up by the agency houses, and the shareholders lose everything.

10,475. Would these causes be affected by the highness or lowness of exchange?—I could not say that. I may say that I have been interested, or had shares in, something like a dozen gardens, and four of them have been swallowed up in that way; which is a high percentage.

10,476. Now, the next point would be about the value of the rupee; have you formed any opinion as to that?—You mean, whether it would effect a disturbance in rural economics

10,477. I mean, the present value of the rupee is 1*s.* 4*d.*; it has been at 1*s.* 4*d.* about 12 months?—Well, it has been hovering about that.

10,478. Has that caused any disturbance in the monetary affairs of the country?—None whatever. With regard to rural economics and the land revenue, it has caused no disturbance whatever, because, of course, it is only within comparatively recent years that it has been below that figure. The fall to 1*s.* 4*d.* is in itself a great relief to the payer of Government revenue and other fixed charges, as the revenue was settled in permanently settled tracts when the rupee was better than, or nearly as good as, 2*s.* sterling, and this is, of course, the simple answer to those who decry as taxation any proposal to prevent a further fall. Even in the temporarily settled tracts no harm can possibly be done, for we are even now unable to take anything like the proportion of assets to which the State is entitled, and the settlement holders are being let off on extremely easy terms. Prices of grain have risen enormously, and they get more than their fair share of the unearned increment. They can well afford to pay the Government demand, without relying on any fresh depreciation of the currency.

10,479. In the temporarily settled lands the land revenue is fixed with reference to the gross value of the produce, is it not?—It depends very much on the particular tract of country. The assets are taken to be the rents. In some provinces we also fix rents, and in fixing the rents we take prices into account. But we cannot raise the revenue assessment to such an extent as to rudely disturb the established standard of comfort. I am not talking of the permanent settlements. In addition to the permanently settled land, of course, we have temporarily settled land even in Bengal. The whole of Orissa is temporarily settled. There they had a settlement which was originally for 30 years. At the time of the famine of 1866, it was considered that the country ought not to be disturbed by a fresh settlement, and that settlement was extended for another 30 years, so that for 60 years it has been the same. In the meantime rents have risen so enormously that we are able without raising the ordinary rents to get as large an increase of the Government revenue as we could decently take. We were able to touch up privileged rents, which had been originally fixed at something like half rates. Those were levelled up, as a matter of principle, in order to assert the point; but we could have taken much more if we had had a free hand and raised the rents all round.

10,480. Is your view this, that, taking an average of temporarily settled lands, the tenant—I do not mean the ryot, I mean the man who pays the land revenue himself, the Government tenant—is now getting a higher price for his produce, and he is getting his rupee, even at 1*s.* 4*d.*, at a lower price than when the bulk of the settlements were fixed?—The man who pays the Government revenue, as a rule, is getting higher rents.

10,481. That is another way of putting it?—They have undoubtedly been able to raise rents.

10,482. They have raised rents, and they are paying no more, and the rent was fixed at a time when the rupee was at a higher value?—Quite so.

10,483. Therefore there is no grievance there?—No.

10,484. Have you anything to say about the introduction of a gold currency?—I do not profess to speak at all as a currency expert, but, from an administrative point of view, I have always thought that the difficulties in the way of introducing into India a gold currency, which seems to me inevitable with a gold standard, have been much exaggerated.

India had a gold currency years ago—in Madras, a real working currency—and I believe it would again be popular. It is said the transactions of the people, generally, are too petty for gold. If we are to go by the transactions of the bazaar, we should have a copper standard only. No doubt there are an enormous number of transactions that, even with a gold currency, would still be liquidated in silver, and the silver token currency would have to be large enough for these purposes; possibly a large proportion of these might come to be made in gold, but my own impression is that the circulation of gold would be mainly confined to the Presidency and larger towns, and perhaps the railway stations. I think that the analysis of the currency of the world that is given in the Report of Lord Herschell's Committee on Indian Currency, shows that an extremely small amount of gold is sufficient to enable a country to work with a very large token currency.

10,485. Do you believe that the demand for gold would be excessive?—I do not think so. Of course, that is a mere opinion formed after my residence in India. Another point is this: it appears to me that, as the country developes, the use of paper in the form of currency notes and credit notes of various kinds advances, just as here. Nor do I think the presence of gold in the currency would stimulate the hoarding of gold. There is a huge mass of gold already in the country.

10,486. Do you expect to see any of it come to the mints?—I should expect it, but it is impossible to say. As I have said, if a man wants gold now, he has to buy it, and you do not propose to give away the sovereigns.

10,487. Irrespective of the ratio of *1s. 4d.*, and of a gold currency, do you think that India requires a stable exchange?—I consider it of vital importance to India to have a stable par of exchange.

10,488. Why?—Without it you cannot look for any influx of European capital save through the Government, and I have already stated what the limitations on Government action are. With a stable par, it appears to me that money would flow from the cheap money market to the dear one.

10,489. It would be regulated automatically, as it is in all other countries in the world?—Practically, I think so. I do not pose as an authority on that subject.

10,490. There is one point to which you desire to call attention—the area under food crops?—That is a matter which has been referred to in the Calcutta press, and I mention it here, because I do not think it has been brought out, so far as I have read, in the proceedings of the Committee. It is stated that the area under food crops has, in the last 15 years or so, expanded only about 12 per cent., while the population has increased by about 22 per cent. The area devoted to non-food crops, *i.e.*, to exportable and merchantable products, has in the same period increased by over 80 per cent. It is suggested that these figures (and Mr. O'Conor will be able to check them) imply that there has been excessive stimulation of merchantable exports by a falling exchange, and that in fact a large section of the population is practically being partially starved to pay India's debt with a falling exchange. I must say that, as regards Bengal, I have viewed with some apprehension the way in which jute, for instance, is supplanting rice in the Eastern districts. There can be no doubt that the non-agricultural population of India, some 130 millions, has suffered, and is suffering, severely from the enormous rise in the price of food and the enhanced cost of imported goods. This seems to me a reason for deprecating any measure which would have the effect of increasing the tendency to abandon food crops for non-food products. The aim should be to develope the country as a whole, by the introduction of outside capital, and not merely to stimulate a particular class of products.

10,491. The strength of that last argument is the introduction of outside capital. That is what you want to stimulate?—That is what we want to stimulate by a stable par of exchange.

10,492. Have you anything to say about illicit coinage? The chief police officer of Bengal has expressed an opinion that the effect of the token coinage being, as it is now, very much in excess of the bullion value, would probably, or might probably, be to lead to an increase of illicit coinage?—That is rather *à priori*; all I can say is that there has been no increase whatever in reported cases. I think far too much is made of the supposed stimulus likely to be given by the restriction of the currency to the coinage of spurious rupees made of good silver. Illicit coinage would only pay if carried out on a large scale with the aid of machinery. The fraudulent coiners in India are poor, without capital or appliances. They work with primitive implements, and can never turn out a perfect coin. On the other hand, the native shroffs are extremely keen to detect false money. The amount of false money which could be turned out by Indian coiners would not be large enough to affect the currency materially. Since the agitation has begun here, much has been made of this matter of false coinage, and the papers, for reasons of their own, report any such cases pretty fully. I may mention, as a typical case, one that is reported in the Calcutta *Englishman*, which I received this morning. It appears that the police received certain information, and they raided a house where they found a coiner, a native of Rajputana, working away. His day's work was beside him. The police found four forged rupees; the effect on the currency must have been appalling. That, I believe, is a typical case. The ordinary false coinage cases that you get in the interior are simply cases of silvering over copper coins, and, of course, that only imposes on extremely ignorant rusties.

10,493. May I ask whether that false coinage could be easily detected?—The report did not state it, but my experience is that false rupees can be pretty easily detected, because they can never get the milling perfect all round.

10,494. (*Sir F. Mowatt.*) I think you said in the early part of your evidence that there had been no rise in the rate of interest since the famine, at all?—No permanent rise.

10,495. Does it rise or fall according to the busy or slack season?—Not as a rule. Everything in India is very conservative in the interior and practically stationary, but, of course, when a time of real pressure comes, as in the case of a famine, a man has little security to offer, and the bunneah asks for more, but it is pretty stationary on the whole.

10,496. During the period which we have heard described as a period of unexampled stringency last year, did the local rates of interest rise?—It did not affect them at all, save as I have stated already. It was the European market business that was affected by the want of loanable capital.

10,497. You are speaking there particularly of your own province?—Yes, but one would have been bound to hear of want of currency, if it had happened. All these things affecting rural economics are bound to come under the notice of the local officials, and so under the notice of the Government.

10,498. You said that there was no preference for paying rents in kind rather than in cash. How is the amount of rent in kind fixed; is it fixed with reference to the rupee as it varies in value, or is it a fixed quantity of produce?—Rents are fixed by the chaffering of the markets, of course, where they are not customary, as they generally are.

10,499. But I mean, when the payment is in kind instead of in rupees, what fixes the amount of the kind?—There are two forms of that. In some cases the landlord actually takes a share in the crop, in other cases he takes the estimated value of a share. As a rule, in most parts of Bengal, he actually takes the crop and carries it off. That is what the ryots do not like—the interference with their crops by the landlord.

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10,500. Then the amount would vary with the temporary value of the rupee?—No, because the landlord takes the crop.

10,501. You said people complained to you a good deal of the high prices of food stuffs. Do you mean the higher prices immediately resulting from the famine, or do you mean that the prices of food stuffs have gradually risen of late years?—There is no doubt that the prices of food stuffs have risen enormously. Not having the figures before me, I should be afraid to say what the rise has been year by year or quinquennium by quinquennium, but certainly since I have been in India prices have nearly doubled.

10,502. When wages are paid in kind, do the wages rise with the rise in the price of food stuffs?—No, if the wages are paid in kind, the man will get the same number of seers that he always gets.

10,503. So that practically the wages rise with them?—The value of the wage rises.

10,504. You were asked, I think, about the raising of the railway rates. At present do you know whether the Indian railways produce a net revenue to India; do they more than pay their way?—I should not like to speak about that without referring to statistics, which I have not by me.

10,505. I think we have heard that there is a net loss of from half a million to 2½ million tens of rupees a year from the railway system of India?—I daresay that is right, but I have no figures.

10,506. Do you know whether there has been an actual attempt to raise the rates; was there not an attempt made in Bengal?—That I cannot say.

10,507. With reference to the necessity of new taxation in case the mints were opened, we have had it put before us that a rising or falling rate would lead to so rapid an extension of trade, and thus to so rapid an increase in the yield of existing taxation, that the temporary difficulty in meeting the gold debt would diappear in that way; is that your view?—No, I think that it is unsound. I do not believe in it. I do not believe in a depreciated rupee leading to a rapid extension of trade. I do not see how depreciation of currency can lead to extension of trade.

10,508. Do you think that, speaking generally, the rates of wages and the prices of food stuffs are affected immediately, or shortly after, by the rise of the rupee?—They are affected slowly. Prices have undoubtedly risen enormously, and wages have risen too in my time very considerably. Wages in the large towns, and in the neighbourhood of large towns, have risen materially, and even rural wages have risen since I first went to India. But, as I say, India is a conservative country, and, as a rule, changes are not so rapid there as here.

10,509. But they do follow slowly?—They do follow.

10,510. If, therefore, the rupee were to fall permanently to 1*s.*, wages would follow?—Wages would rise; the people would want more wages.

10,511. You said, with reference to the labour for tea gardens, that not only wages have risen, but you expect it will be necessary to raise them still higher?—I do, especially if there is a great stimulus given to free emigration; that is, the emigrant who is taken up outside the Act altogether, without Government interference. There has been far too much interference hitherto in my view. I have always been very much inclined to advocate—in fact, I was President of the Commission which originally suggested—free emigration to the tea districts, and I have always regretted that the free emigration which was introduced was a perfect parody of what was intended. But, if you have free emigration, either the Government must take care that the wages of the labourer are adequate to keep him in a proper condition—which is an interference I take exception to—or, if you leave him alone, and he goes up on his account, you must offer him wages to keep him there when you have got him, and the planter will in his own interests do so.

10,512. (*Sir J. Muir.*) You have been 36 years in the Bengal branch of the Indian Civil Service, and during that time you have filled a great many different offices. Were you paid in rupees the remuneration for your services?—Certainly.

10,513. Then was it to your personal advantage, when you had to send money home, to get as high a rate of exchange as you could for your rupees?—Naturally.

10,514. So that, to a certain extent, so far as your pocket was concerned, was there a natural inclination on your part to see a high rate?—Naturally. One would have been glad to see a higher rate—the rate prevailing when I entered the service.

10,515. Quite naturally, and what was natural in your case would be natural to the other civil servants in India?—I suppose the civil servant has as much regard to his own interest as outsiders.

10,516. In other words, every civil servant would have the same regard to his own interests as yourself?—Yes, but not to the exclusion of principle. He is bound to consider, and does generally consider, the good of the country he serves, as much as, or more than, his own interests.

10,517. I mean, the interests of civil servants were identical with what the Government regard as their interests?—I hope so.

10,518. Was it the case that the Government always desired as high a rate as it could obtain?—Well, I was governing provinces for 12 years, and I cannot speak for the Central Government; but naturally, of course, Government wishes to pay its debt at home on the most favourable terms. Nobody ever denied that.

10,519. You made the statement that "to raise the "provincial cesses in Bengal, in order to give a cheap "rupee to Assam, appears a monstrous proposal." Now will you tell me who ever proposed that?—That is rather a condensed way of putting it. If the proposal is to raise taxation in order to establish a cheaper rupee in the interests of the tea trade, or in any other individual interest, then I call that a monstrous proposal.

10,520. But has anybody proposed that, as you have put it here, in the interests of Assam?—Assam stands for the tea interest generally. I fancy that has been proposed.

10,521. Are the interests of Assam different from the interests of indigo, of coffee, and of wheat?—I will alter the shape of my reply, and put it broadly, thus: If it is proposed to tax the native population of India, in order to subsidise any particular trade of India, then I say that that is a monstrous proposal.

10,522. Are you aware that many of the leading merchants in India hold views diametrically opposed to yours?—I have no doubt that every branch of the currency question has many people both on the one side and on the other.

10,523. You lived for some time in Bengal, and in Calcutta, latterly?—Yes.

10,524. Are you aware that Messrs. Ralli Bros. and Messrs. Graham are the largest importers of Manchester and other goods into India?—They are large importers.

10,525. You would admit that they are capable men of business, as proved by the success with which they have carried on their business?—No doubt.

10,526. Of course, you would naturally infer that they know what is best for their own business in regard to importing Manchester and Glasgow goods into India?—I suppose they know what pays them.

10,527. We have had representatives of both those firms, giving evidence before this Committee. Would you be surprised to hear that their views are entirely opposed to yours?—I am sorry for them.

10,528. That is to say, you are sorry for men who have made huge fortunes in India on the same lines?—I have always found that huge fortunes are made by

practical qualities, and not by abstract views on economic questions.

10,529. Would you be surprised to hear that these gentlemen consider that exchange should not be fixed in an arbitrary way, but should be left to be arrived at automatically?—Well, that is a currency conundrum which I do not profess to be able to solve. All I say is that what India wants is a stable par of exchange. How to get it, is the business of this Committee.

10,530. You have given us a good deal of information with regard to tea, and I think you mentioned to us that you yourself were interested in 12 different tea estates?—At different times I have been interested in 12 of them, more or less.

10,531. And that, out of those, four had been swallowed up by the agents?—Yes.

10,532. It would be interesting for the Committee to know what interest you had in tea?—I am not prepared to go into my private concerns, even to inform the Committee. It would probably not be a great deal to you, but to me the amount was considerable, running to a good many thousands of pounds.

10,533. Your remark is, "I am myself largely, for me at least, interested in tea." It would have been interesting to us, at all events to me, to have known what your interest was, but you prefer not to state it, and I am satisfied. Now, you say, "I have no fear of "Chinese competition, if only English planters and "agents show energy and resource in meeting the "requirements of the tea markets of the world." Are you of opinion that the Indian planters have not shown energy and resource in the past?—That is a general criticism. They have certainly done something to get new markets, but I cannot say that they have yet risen to the difficulties of their position, and I think there is a great deal that they might well do; but I am not writing a treatise on the management of tea gardens at present.

10,534. No, but you are making a broad statement here, and I am trying to test it. Can you suggest anything that they could do which they have not done?—Oh, yes; there is the trade in India itself, which they have not touched. I may say, for instance, if they were only to take a leaf out of the book of the Government of Bengal, they could do something. We have within the last few years developed an enormous—you can hardly call it trade—but an enormous consumption and a big market in quinine, by placing quinine in pice packets in the bazaars throughout the interior of the country. These small packets are packed up by the inmates of the gaols; it is an industry for the juvenile and female prisoners. You know that, when your syce or Indian servant has fever, the first thing he asks you for is quinine, and the next thing he asks you for is tea. I believe that, if the refuse of the warehouses—the dust and so on—were done up in these small packets, suppose they were sold in, say, 2 anna packets throughout the bazaars of India, you would have an enormous market there which has never been touched.

10,535. Are you aware that that has been tried?—It has not been tried, so far as I know. It has been talked about, I know.

10,536. It has been tried in Calcutta to my certain knowledge. Your suggestion was given effect to, and it was tried again and again and again, and we found that the natives of India, while very willing, as you say, when sick to have tea as a gift, would never pay for it?—If you would only employ men of the type of colporteurs, and give them a good commission, and send them about in the different bazaars, you would have got a market in the course of time. The taste would have had to be created, but a good deal could have been done in time.

10,537. To my personal knowledge, it has been tried and failed?—It will fail until you find some way of packing your tea, so as to keep it from getting mouldy in the packets. But I doubt whether the thing has ever been seriously attempted and persevered in.

10,538. Now, you have made some strong statements here, and I think it is only fair to the tea industry that I should put questions to you in order to test them. You say, "I consider that the tea industry is "at present suffering more from over-production and "internal causes than from a rise in exchange, and I "believe that it could adjust itself to a stable 1*s.* 4*d.* "rupee just as it flourished while the rupee was even "higher, and I have no fear of Chinese competition, "if only Indian planters and agents show energy and "resource in meeting the requirements of the tea "markets in the world." Then you explain that the first of the internal causes to which you refer is bad management. What do you mean by bad management?—I mean bad management.

10,539. What is bad management?—It is, for one thing, putting men in charge of gardens who have no special qualifications for managing them; young fellows sent out from home without any particular qualifications or training. I know by sad experience how difficult it is to get a good manager for a tea garden. I think I could tell off on my ten fingers all the men who are now recognised as really first class managers. Men are sent over without any special education or training.

10,540. Would you be surprised to hear that I could find you 20 in our own employment who are capable and able managers?—Well, I am glad you have them. You have been more fortunate than the agents I have had dealings with.

10,541. And I am very glad that we have them. Then have you sufficient warrant, do you think, for saying that "agents push their young kinsmen and friends into assistantships or managerships"?—Most certainly. That is distinctly my experience.

10,542. I am glad to say that my experience is the very antipodes of yours. I find that, in all well-conducted tea companies, the agents put aside anything of that sort, and the standing rule is that no man is to be appointed simply because he is a friend or relative of a partner or director in any of the companies that I know?—They do not advertise for them. They do not go to the public schools or colleges. They get lads introduced to them either by their friends or shareholders or something of that kind. I have had scores of such young men applying for work under Government—when they had failed in tea.

10,543. Nay. In Glasgow we advertise regularly for assistants, and select the best men that can be found, irrespective whether the applicant is a friend of a partner or director at all. We take qualifications only. I am afraid your experience has run in a particular groove?—My experience has been unfortunate, I admit.

10,544. Are you aware that there are many companies and firms who select men specially trained and qualified for these positions?—I do not know what qualifications you insist upon. I know that the engineering qualifications required by a good many firms are exceedingly meagre. I think a very few weeks in an engineer's shop is about the most that is ordinarily required.

10,545. Then you refer to the excessive cost of rice, and I think you said that it had doubled in price?—I think that is roughly about the fact. I feel certain the price of rice has doubled in price since I went out to India. Mr. O'Conor has the exact figures.

10,546. I have the figures here. The price of rice in 1892 was 111; in 1893, 121: in 1894, 120; in 1895, 100; in 1896, 111. Then we come to the famine year, when everything was upset as regards the price of rice, and the price was then 159. For the first six months of the current year, 1898, the price has fallen back to 114; so that the price now for the first six months of the present year is less than it was in 1893–94, and only three higher than it was in 1892 and 1895. Now, was there any difficulty in getting English capital to India prior to the closing of the mints?—I am not sufficiently expert in Indian exchange, banking, or anything of that sort, to know much about it.

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10,547. We have had it in evidence here by other witnesses?—I do not profess to give evidence on trade questions or banking questions.

10,548. I may mention that we have had it in evidence here, that, prior to the closing of the mints, for any suitable enterprise there was no difficulty in getting English capital out to India?—A great deal of English capital, no doubt, went out.

10,549. English capital went out in jute mills, cotton mills, indigo estates, for the growing of wheat, and for tea?—It is not going out now, at any rate.

10,550. No, it is not. Unfortunately this action of the Government of India in fixing arbitrarily 1*s.* 4*d.* is killing the trade of India?—Well, that is a matter of opinion.

10,551. Then, do I understand you to say that you sent home, when the rate was at 1*s.* 4*d.*, all the available funds you had in rupees?—I forget the exact rate, but I remitted home all I could when the exchange was fairly high.

10,552. You sent it when you thought the rate was as high as it would be, because you were afraid that that rate might not be permanent or that it might go lower?—Quite so; I sent it before the mints were closed.

10,553. You, of course, were a civil servant, and it is not to be expected that you could understand the general effects of an increase of customs duties so well as if you had been a merchant paying those duties, or a merchant exposed to those duties?—I do not admit that. I think everybody interested in the Government of India is obliged to take as wide a view as he can, and to make himself acquainted as far as he can with all the local conditions and circumstances of trade; and the circumstances and conditions of the trade of Calcutta would naturally have an interest for the Lieutenant-Governor of Bengal.

10,554. Are you aware that we have had evidence given by Messrs. Ralli and Messrs. Graham to the effect that they would be pleased to see a 10 per cent. duty on their own goods imported into Calcutta?—They would not have to pay it.

10,555. It would require to be paid by their goods?—It would be paid by the unfortunate consumers.

10,556. They would have to pay it in the first instance. Then you seem to be very much opposed to the increased growth of jute in India?—Pardon me, I never said anything of the kind. I never said I was opposed to the increased growth of jute in India. I brought to your notice a fact which is alleged in certain correspondence in the Calcutta papers, with reference to the area of production of food grains being reduced in consequence of so much land being devoted to non-food crops, but I never said that I was opposed to the growth of jute. I should say, on the contrary, that that was a great blessing to the country.

10,557. You said, I think, that the prices of rice had been doubled?—I said "during my time in India." You may go back for a few years, and give me figures which I cannot check in the least; but all I know is that in the last 30 years the price of rice has very nearly doubled.

10,558. The price of rice for the first six months in this year has fallen to 114, according to the figures that we have had?—I do not know anything about that. Of course prices ought to have recovered to a certain extent from famine rates, and no doubt they have done so; but I am certain that they have not gone back to anything like the rates that they were, say 15 years ago.

10,559. Are you aware that a very large number of the inhabitants of Bengal, especially in or near Calcutta, are employed in these jute mills, so that the growth of jute gives employment for a very large number of people?—Undoubtedly, and a great blessing it is. I am not in the least opposed—in fact, I have always favoured the development of that and other industries.

10,560. Are you aware how many people are employed on the tea estates?—I cannot say, but it would be a very considerable number.

10,561. Would you be surprised to hear that it is over a million?—Possibly. I am glad to hear it.

10,562. Then are you aware that indigo is being very severely hurt by a high rate of exchange?—I fancy it has been hurt by other things, just as tea has. Indigo has had to suffer from the competition of aniline dyes, and from a variety of causes. For instance, they have had to pay more for their indigo plant than they used to. As you know very well, in the old days the indigo trade was not carried on on commercial principles at all, but landlord accounts and trade accounts were so mixed up that it was almost impossible for the indigo ryot and cultivator to know where he was; if he had a balance in his favour on the manufacturing side, he found a balance against him on the rent side. That has now been done away with. It is all done now on a commercial basis, and the planters do not get such large profits as they did. But indigo, like tea, has suffered from other things besides exchange—if it has suffered from exchange.

10,563. Are you aware that there is a fear now that indigo will be killed, so far as its growth in India is concerned?—Well, it has died out in the Bengal districts; it is now almost confined to Behar, but the causes of that had nothing to do with exchange. It ceased to pay.

10,564. If this artificial dye that they have in Germany is going to interfere keenly with India, should we not try to give what encouragement we can to the planters of India?—If you mean to say that you are to subsidise any particular industry at the cost of the taxpayer, I do not agree. The interests of any individual industry are not to be compared with the interests of the country at large. All these questions have to be looked at from the point of view of the interests of the country taken as a whole. I submit that the great thing to do is to get European capital drawn into India, and I believe that that can only be done by establishing a stable par of exchange. But, if you say that you are to consider only the interests of tea or indigo or any one industry, I say you have not stated the problem completely.

10,565. (*Mr. Campbell.*) Regarding the 1*s.* 4*d.* rate, you are aware that the Government have not absolutely fixed upon that figure?—Quite so.

10,566. In 1893 they left it an open question?—Quite so, although practically public expectation has always accepted that rate, since the Herschell Committee's Report.

10,567. But it was not, in fact, fixed?—No, I admit that at once.

10,568. It was to be fixed afterwards, in the light of the experience that might be gained?—Yes.

10,569. Do you think that the experience of the past five years points to 1*s.* 4*d.* as the correct rate?—I think 1*s.* 4*d.* is the rate indicated in many ways to be the proper rate. The actual rates appear to tend towards it, and public opinion seems in favour of it, and the main point is, that you cannot go below it without extra taxation; at least, that is my opinion.

10,570. Of course, to be a success, 1*s.* 4*d.* should not only be the rate which enables the Council Bills to be sold, but a rate which will attract gold to India as currency?—Quite so.

10,571. And that it has not done so far?—A certain amount has gone in, but I do not think you can say that the experiment has been sufficiently tried with reference to that, because it has never been recognised as the finally fixed policy. Nobody has ever felt certain about it. There has been an uncertainty about the whole question which interfered with a fair trial of the experiment. But I do not profess to be a currency expert.

10,572. I think you said you do not think that exchange has any influence on trade?—I never said that.

10,573. I thought you said that, in answer to Sir Francis Mowatt?—I did not say that. It may have a most material influence for a time, undoubtedly,

and a fluctuating exchange must be a most serious hampering to trade.

(*Sir F. Mowatt.*) My question was, whether rates of interest and rates of wages followed approximately the rise or fall of exchange?

(*Witness.*) I certainly do not hold the view that exchange has no influence on trade.

10,574. (*Mr. Campbell.*) Then, if 1*s.* 4*d.* were found, after experience, to be an unsuitable rate, or a rate that interfered with trade, and did not allow currency to come into India, would you be in favour of revising it?—Well, I should like a good long experiment tried first. Nothing is more dangerous than to hold out ideas of revision. What you ought to do is to put your foot down, and say: "This is our plan, and we will do our level best to carry it through."

10,575. But, if the experiment is continued too long, the country may suffer in other ways—through the want of currency, for instance?—Well, I cannot go into that. I am sceptical as to the probable want of currency.

10,576. Then as regards the money market, you admit that money was very tight in the great trade centres?—Undoubtedly.

10,577. Although you say it was easy enough in the rural districts?—To put it broadly, money was tight in the European, and not abnormally so in the native, money markets.

10,578. When interest rose in the large centres to 12 and 14 per cent., do you not think that that was a serious burden on industry?—It was a most serious condition of things, no doubt. The state of things in Calcutta was as bad as I have ever seen it.

10,579. If you have rates at that level, and money impossible, or almost impossible, to obtain at all in the great trade centres, it does not minimise that fact very much to know that in the rural districts things are going on as usual?—It does not minimise the difficulty felt by Europeans trying to get accommodation; but I suggest that there was no actual want of currency in the country at large.

10,580. You spoke of the low rupee affecting industries like tea; does not the low rupee affect the production of all exportable articles as well as tea, for instance, jute and indigo? — These are economic questions, upon which I am unable to speak with any authority; but my view is that any temporary benefit gained by the exporter by a low rupee is only temporary, and that it does not as a rule, until some time has elapsed, find its way to the producer. But I do not profess to speak authoritatively upon these matters. I have my own opinions, but I think you will get this much better from others.

10,581. You spoke of the large proportion of land devoted to the produce of non-food crops, compared with the land devoted to the production of food stuffs. Is it not the case that land suitable for tea, for instance, is not suitable for food crops at all?—Well, I would not put it so broadly as that. Some tea lands are not suitable for food crops, but there is no doubt whatever that the lands that grow jute in Eastern Bengal did originally produce rice. As a matter of fact, as Mr. Finucane told me the other day, there has this year been a slight recession of the jute area, in favour of rice. Of course, in rough jungle tracts and places of that kind, new land would be more suitable for tea, but the greater part of the Dooars and Assam, and so on, produce magnificent rice crops.

10,582. If it is the fact that lands unsuitable for rice or other food grains are devoted to tea and other industries, you would consider, would you not, that this is an advantage to the country?—So far as that is the case, but that only applies to the hill teas. I think that any land that would grow tea in the plains, would grow other crops. I do not wish for a moment to depreciate the importance to the country of these industries, and the importance of obtaining European capital for them. I think this development of the tea, and the jute, and other, industries, has been an enormous gain to India. I have always held that the one thing for India was to develope the industries of the country, and to convert the population, as far as possible, from being an entirely agricultural population.

10,583. (*Sir F. Mowatt.*) I think what you said was that you objected to the way in which jute, for instance, has largely supplanted rice?—I think it is an element in the case that the Committee ought to take into consideration. I merely brought the point forward because it has been mentioned in some of the Calcutta newspapers, and it has been stated that no one had brought that point to the notice of the Committee. Therefore, when I was asked whether there was anything else that I had to say, I thought it right to call attention to that matter.

10,584. (*Sir A. Dent.*) You told us that you have seen chests full of rupees in the Treasury of a native landowner, and that on another occasion you had seen a large accumulation of ornaments, some of them being of gold, but that you came across no bullion or bars. Later on you mentioned that there was "a huge mass of gold" in the country. Can you tell us in what form that huge mass of gold is? — That is impossible to say, but we know that an enormous mass of gold has gone to India which has not come out.

10,585. It is denied that this gold is available?—That is another question; but there is a large amount of gold, which cannot have disappeared into the earth.

10,586. In the event of the Indian mints being opened for the coinage of gold sovereigns, do you think that that gold would come out?—It is a matter of speculation. At present there is no employment for it at all. People who have got it, even if they feel disposed to utilise it, cannot do so. It might come out. It is a matter of speculation. What I wished to say was that I *do not* believe myself that the amount of gold that would be necessary to finance a gold currency is so enormous as it is sometimes represented to be.

10,587. (*Sir C. Crosthwaite.*) Suppose we established a gold standard and we had a gold reserve, do you think that the danger is that these vast hoards of silver would be brought out in order to clear off the Government gold reserve?—I do not think so.

10,588. You said you saw a great quantity of silver—chests full of silver?—Yes.

10,589. But silver masses very largely, does it not?—Oh, yes, it bulks largely.

10,590. Have you any idea how many rupees go to a ton of silver?—I cannot tell you that.

10,591. You may take it from me that there are something less than 90,000 rupees in a ton of silver. That would be an enormous quantity?—Yes it would. I suppose each of these chests contained about a lakh.

10,592. And how many chests do you think there were?—Well, it is a long time ago now.

10,593. What I mean is, a ton of silver would not be worth more than between 6,000*l.* and 7,000*l.* sterling?—Each of these chests, I should think, would contain that.

10,594. You do not think that they would be brought out?—No, I do not see why they should.

10,595. Where do you think the large hoards of silver are? A man, in order really to affect the currency, would have to produce a crore of rupees?—I think they are widely distributed.

10,596. Do you think the native princes have large hoards?—I think most of the hoards of the native princes have been invested in British investments.

10,597. Do you think that the natives who have large hoards would use them in order to take out the Government gold reserve?—I do not believe that they would enter into speculation of that sort.

10,598. I notice, you said that we cannot raise the Bengal permanently settled revenue, and that it was difficult to raise the revenue of the temporarily settled tracts without laying ourselves open to a charge of unfairness?—Yes.

10,599. Has that difficulty prevented us, as a matter of fact, from raising the assessment of the temporarily settled tracts, wherever the periods fell in and we were justified by prices and other causes in raising

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them?—That appears to me to be a very different situation.

10,600. I merely want to know the truth?—It is suggested that you should impose a universal cess on account of the depreciation of the rupee all over India——

10,601. My reason for asking you is because it might be inferred from your evidence that the Government had not raised the revenue in temporarily settled tracts, on account of some supposed unfairness?—I have said that we have taken all that we decently could.

10,602. In the Central Provinces the revenue was being assessed when you were there?—Yes; I followed you. I should like to say that, while we have raised the revenue, having regard to prices there, we have never raised the revenue with an eye to the requirements of the Government.

10,603. With reference to the use of railway rates for the purpose of taxation, I suppose you know that, if those rates were raised, the increased profits would not all go into the pockets of the Government?—Quite so.

10,604. A proportion would go into the pockets of the shareholders?—Yes.

10,605. Therefore it would not be, financially speaking, a good method of raising revenue, because the whole proceeds of the tax would not go into the Treasury?—Exactly.

10,606. (*Chairman.*) I suppose, with the exception of the State railways, there is no case in which some proportion of the profits would not go to the shareholders?—I think that is so—some proportion.

10,607. (*Sir C. Crosthwaite.*) With regard to reducing expenditure, do you think that anything can be done by reducing the salaries of the covenanted civil servants?—Not if you want to get the best class of men.

10,608. Could anything be done by substituting natives for Europeans to any large extent in the Civil Service?—I am entirely opposed to it.

10,609. You would probably have to pay them the same?—You would have to pay them the same, and, as I say, the European element is not too strong.

10,610. With reference to what you said of the suffering of the non-agricultural population from the great increase in the cost of food—you admit that wages have risen?—Wages have risen, but not as much as the cost of food.

10,611. Do you hold that the falling rupee stimulates exports from India?—I suppose it must do so for a time—temporarily, at any rate.

10,612. You think it stimulates exports like jute, which, to a certain extent, take the place of food grains?—I should say so. This is not my contention, you know, but I think there is something in it, and something which ought not to be ignored.

10,613. I suppose the agricultural population would cultivate those crops which would pay them best, irrespective of whether those crops are food grains or non-food grains?—No doubt that is so.

10,614. With regard to illicit coinage, I suppose machinery would be necessary to turn out rupees to any great extent?—Undoubtedly.

10,615. And it would be very difficult for the coiners to get the machinery?—It would be very difficult for them to get the machinery, and still more difficult for them to work it without being found out.

10,616. It would also be necessary to provide for the utterance of coins?—Yes.

10,617. And to a large amount, if large profits are to be made?—Illicit coinage is a mere bugbear; there is nothing in it.

10,618. You do not think that any native banker or merchant would lend himself to such a thing?—No.

10,619. You say you heard no complaints of want of rupees—of coins—in the interior of the country, but that you heard complaints of the high price of food. Nothing that the Government has done in the way of closing the mints, would increase the price of food, would it?—Not so far as I know.

10,620. So far as any contraction of currency has occurred, it would go the other way?—Certainly.

10,621. It would tend to lower prices? — It would tend to lower prices, if anything.

10,622. (*Mr. Holland.*) Referring to the diminished area of land bearing food grains, you say that there has been an enormous rise in prices. Will not that fact lead to an economic remedy—will it not lead to more land being devoted to the cultivation of food crops?—As I said, there has this year been a slight increase in relative proportions.

10,623. And high prices will stimulate that?—It ought to in all ordinary countries, but, as I say, India is very conservative. The agricultural conditions do not respond with the same rapidity and directness that they do in other countries. They do respond, but not with the same rapidity and spontaneity.

10,624. With reference to silver hoards, I suppose they are of two kinds, hoards of ornaments and hoards of rupees. The hoards of ornaments have depreciated, but the hoards of rupees have appreciated?—Quite so.

10,625. Have you any opinion as to the relative proportions between the two?—Oh no, it would be impossible to tell.

10,626. (*Mr. Le Marchant.*) You were discussing the prices of rice, and speaking of an increase in prices since the time that you went to India. Will you look at the Table in our Appendix entitled, "Variations in the retail price of rice since 1861." The column headed "Patna" gives the price of Bengal rice?—It is practically doubled, if you take those figures.

10,627. If you take the 5 years ending 1865, the average price was 57, and if you take the 5 years ending 1895 prior to the famine, it was 107?—Yes, practicaliy double, as I originally suggested.

The Witness withdrew.

Mr. R. C. Dutt, C.I.E.

Mr. ROMESH C. DUTT, C.I.E., called and examined.

10,628. (*Chairman.*) You were selected for the Indian Civil Service at the open competition held in London in 1869?—That is so.

10,629. You joined the service in 1871?—That is so.

10,630. Will you tell us your experience in the Indian Civil Service?—After serving in the lower grades, I held appointments as District Magistrate and Collector between 1881 and 1894 in various districts in Lower Bengal, and as Divisional Commissioner in Burdwan and Orissa Divisions between 1894 and 1897. I retired in October 1897 after 26 years' service.

10,631. The Departments that you were in did not deal specifically with either currency or accounts?—No.

10,632. But they gave you the opportunity of studying the condition of the agricultural labouring classes?—Yes.

10,633. And it is with that experience and your knowledge of Indian affairs that you approach this question?—That is so.

10,634. I will first ask you what you thought of the closing of the mints. Had you any opinion at that time on that point?—We were not consulted. I hardly knew anything about it.

10,635. You were in India when the step was taken?—No; in 1893 I was in this country on furlough.

10,636. You are aware, I suppose, that the rupee had been steadily falling for a large number of years?—Yes.

10,637. At the time when the mints were closed in 1893, they were closed on the ground of the fall of the rupee being a very serious danger to the financial position of India?—I heard that vaguely in this country.

10,638. Since you have been here, you have thoroughly mastered the new proposals of the Indian Government?—In a general way, yes.

10,639. Will you just say, in your own language, what you would like to say first as to the effect of those proposals?—The first effect is likely to be this, that it would lead to a general increase of taxation in India. Because all the taxes are paid in rupees, and, by closing the mints, the value of the rupee has been enhanced, and, if the same number of rupees are taken now as were taken before, it means a real increase in taxation.

10,640. Have you any figures as to what the raising of prices has been? When you went to India in 1871 the price of silver was $65\frac{5}{16}d.$ an ounce, and the average rate at which the Secretary of State sold his bills was 1*s.* $10\frac{3}{4}d.$ per rupee?—Yes.

10,641. The rate began to fall, I think, materially in 1878 or 1879, and, when the mints were closed in 1892-93, it had gone down to 1*s.* $2\frac{1}{2}d.$?—That is about it.

10,642. That is a fall of 8*d.* in the rupee in those years?—Yes.

10,643. Did the proposals of the Government of India to arrest the fall of the rupee have the effect of raising its value?—Yes, I think it was 1*s.* 2*d.*, if I remember rightly, in 1893, and it is now nearly 1*s.* 4*d.*, so that within this last five years the value of the rupee has been enhanced by 2*d.* as compared with gold. With regard to the fall from 1871 to 1893, I may be allowed to explain that the Indian Government and the Provincial Governments got a natural increase in their revenue in consequence of the fall. The land revenue and other revenues went up in this way. The prices in rupees rose all round; the prices of food grains rose, and, as the Government in its recurring settlements made that a ground of enhancement—because the Government as landlord is entitled to an increase of rent if the price of the produce rises—there was a natural increase in land revenue. Then also with regard to the income tax; as the incomes, estimated in rupees, went up, the Government got an increase of the income tax; so that, while there was a fall in the value of the rupee from 1871 to 1893, Government was directly, and in a natural way, getting an increase in the revenues as estimated by the rupee.

10,644. When you talk of an increase in the income tax, will you explain that further?—Suppose a man's income in 1871 was 1,000 rupees a year. If his real income remained the same, then, by the falling of the rupee, his income as valued by the rupee would be something like 1,200 rupees.

10,645. What do you mean by his real income?—His income estimated by the produce of the country. I am speaking of people outside those in Government employment — not members of the Government service. I am speaking of merchants and traders, agriculturists, and farmers—people outside Government employ.

10,646. You think there was such a rise in prices that, practically, profits were increased to that extent?—Profits as estimated by the rupee. If a man's real profits remained the same, the value of the rupee having fallen, his profits, as estimated by the rupee, must have risen. If his income was 1,000 rupees in 1871, and if the rupee had in the meantime depreciated 8*d.*, his income in 1893, as estimated by the rupee, must have risen, and, therefore, the Government would get an increase in the income tax obtained from that man.

10,647. Do you mean that they would get more rupees?—They would get more rupees. The depreciation of the rupee has not been a loss to Government, because in this way there is a general increase in taxation without making the burden heavier on the people—there is a general increase in taxation as estimated by the rupee.

10,648. Do you think that in India itself—I am not talking now of external trade or payments out of India—the internal trade has increased?—There has been an increase in the price of food grains within my experience. Between 1871 and 1893 there was a considerable rise in the price of rice.

10,649. Was that accompanied by an increase in wages?—To some extent; and the landlords were able to increase their rents, and the Government in all cases, except where there were permanent settlements, were able to increase their land revenue on the basis of an increase of rents.

10,650. What would have been the position of things if the rupee had remained stationary?—Then the increase of the land revenue would not have been so marked, as estimated by rupees. I will try to explain myself in this way. Suppose the Government land revenue of a district not permanently settled was 3 lakhs in 1871. In the 22 years between 1871 and 1893, the prices of food grains rose; where rice sold at 1 rupee 8 annas per maund in 1871, it sold in 1893 at, say, 2 rupees per maund. In the same way there is an increase in the prices of wheat, barley, jawar, and bajra, and all the principal staple foods of India; there was a general increase of prices in all food grains. Therefore, when the Government came to revise the settlements, it found that there was a general increase in the prices of food grains all over the country, and obtained a legitimate increase of probably a lakh of rupees solely on the ground of increase in prices. If there had not been that increase, the Government might have raised the land revenue a little, but certainly not so much, if prices had remained stationary.

10,651. I was dealing with the connexion between the falling of the rupee and the rise of prices. Do you consider, for instance, the opening up of the European markets to wheat is a factor?—It is a very small factor.

10,652. Do you think the increased consumption of rice is a factor?—I do not think so, for there has been an increased cultivation. I think the main reason of the rise in prices is that the rupee has depreciated between 1871 and 1893. And the land revenue, as estimated in rupees, has increased.

10,653. Supposing, instead of the Government arresting by their action the fall of the rupee, they had allowed the fall to go on, and that the rupee had gone down to 6*d.*, what do you think would have been the effect of that?—I hardly think it would be possible; but, if it did go to 6*d.*, it would not have made any difference, because the land revenue would rise at the very next settlement; the rise in the prices of food grains would be so considerable that, without any effort on their part, the Government would get a natural increase in their land revenue; they would get a natural increase in the income tax, and a natural increase in the proceeds of almost every tax in the country.

10,654. (*Sir F. Mowatt.*) You are assuming that the prices would immediately follow the fall of the rupee?—Yes.

10,655. It is on that assumption that your opinion is founded?—Either immediately or within a short time; and my experience during the last 26 years in Bengal has been that, as the rupee has gone down, prices have risen.

10,656. (*Chairman.*) Will you apply that now to the salt tax?—I do not remember the incidence of the salt tax.

10,657. The salt tax is now $2\frac{1}{2}$ rupees per maund. That is a fixed sum?—The Government would be quite justified in increasing the tax in proportion to the fall of the rupee.

10,658. Then take the excise duties and apply the same argument—I mean the duties on spirits and liquor. I want to see where you think the Government income would rise?—In this way. On the

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liquor distilled in Bengal the Government imposes a duty of something like 2 rupees for each gallon distilled. When the rupee depreciated and food grains all rose in price, the Government would be justified in imposing 2 rupees 8 annas, or 2 rupees 12 annas, or 3 rupees.

10,659. That is dealing with what the Government might do, but that is not what has actually occurred. I understand your point to be this, that automatically, by the reduction in the value of the rupee, the revenue has increased?—In most cases, excepting in those cases where the Government imposes an arbitrary sum, in which cases the Government has the power to increase that sum, and it would be justified in increasing that sum in correspondence with the fall of the rupee.

10,660. Now, your next point, I think, is that the Government have improperly appreciated the currency?—That is my argument, and I find that that argument was taken up, as no doubt this Committee is aware, in 1879 in a letter to the India Office, by the Treasury. I have an extract from that here. This question was discussed in 1879, and the India Office received a letter from the Treasury from which I will read this extract: "In general, the object of such Governments"—this is in reference to those Governments which have depreciated the currency in order to reduce their liabilities—"has been to diminish the amount they "have to pay to their creditors. In the present "case the object of the Indian Government appears "to be to increase the amount they have to receive "from their tax-payers. My Lords fail to see any "real difference in the character of the two trans-"actions." That is in a letter dated 24th November 1879. The proposal of the Indian Government to raise the value of the current coin of India, and thus to obtain from the ratepayers a really larger revenue, without ostensibly increasing the tax, appears to me to be open to the same objections. The injustice and the hardship are none the less real and none the less oppressive by reason of the fact that, instead of raising the amount of taxes 30 or 40 per cent., the proposal is to raise the value of the rupee to the same extent, or keep the value of the rupee high to the same extent. Such a proposal does not disguise the real increase in taxation, and does not minimise either its pressure or its arbitrariness.

10,661. Your first objection is that practically this means a general increase of taxation?—Yes, over and above the natural increase.

10,662. Then, in the next place, you object to it with especial reference to the land revenue?—Yes; the Government of India is the receiver of land revenues in India. It receives fixed revenues from landlords in Bengal, and rents from actual cultivators in most other parts of India. I assume that, when the value of the rupee is artificially raised, or artificially kept up to that point to which it has already been raised, the Government will not be disposed to make a proportionate reduction in the amount of its rents and land revenues.

10,663. But what do you say about the fall that has already taken place in the value of the rupee since these rents were fixed?—Do you mean in Madras or Bombay?

10,664. Anywhere?—In consequence of the fall of the value of the rupee, the rents have already been increased, as I explained just now.

10,665. That would not apply in the first place to the permanent settlements?—No, I am speaking of other places. Settlements are continually going on.

10,666. In individual cases?—In some parts settlements have taken place; in others, settlements are going to take place; so that, if there has been a rise in prices through the fall of the rupee, the Government has either got the advantage of it, or is going to get the advantage of it. But, by increasing the price of the rupee, you, not automatically but suddenly, raise the land revenues all over India. Take Bengal, for instance, where the revenues are permanently settled; some zemindar has engaged to pay, say, 50,000 rupees as the revenue of his zemindary, and he has paid that sum since the permanent settlements—since 1793; now the rupee is raised from 1*s.* 2*d.* to 1*s.* 4*d.*, it may possibly go higher, but it has been raised from 1*s.* 2*d.* to 1*s.* 4*d.* Therefore, in place of the 50,000 rupees which he has been paying since the permanent settlement, by raising the rupee 2*d.* you impose a real addition to the amount of revenue paid by him.

10,667. But you must go further back. When the Cornwallis settlement was made, the rupee was worth really more than 2*s.* The Government, of course, have lost by that?—In the permanent settlement tracts the Government have lost and the people have gained, and the agriculturalists have greatly benefited by that. The condition of the Bengal agriculturalist has greatly improved on account of the rise in prices, and the Government has derived advantage from the increased prosperity of the cultivators.

10,668. But do you not think the zemindars have increased their rent?—To some extent they have, but the great benefit is derived by the Government themselves, and not by the landlord. In other parts of India—leaving out those places where the revenue has been permanently settled—the land revenue has adjusted itself, or is going shortly to adjust itself, according to the rise of prices. Now, by suddenly increasing the value of the rupee, there is a further increase in land revenue. In Madras, for instance, the land revenue of a district may have been 3 lakhs of rupees; it will be 3 lakhs of rupees now, but of rupees of an enhanced value. Therefore, by this action of the Government, there is a sudden increased demand by the Government over and above the natural increase which it has received already. In order to explain this better, I have prepared this table of figures, which has been placed before every member of the Committee, which will show that in nearly every division in India there was a fall in the prices of food grains immediately after the closing of the mints, in the Punjab, in the North-West Provinces, in Bengal, in Bombay, in Madras, in Assam, and in the Central Provinces. I have compiled these figures from the book called "Prices and Wages in India," annually published by the Government of India; and I have given the reference to the pages from which I have compiled my figures. [*For this Table, see Appendix.*]

10,669. You say there has been a fall in prices since the closing of the mints?—Immediately after the closing of the mints.

10,670. (*Mr. O'Conor.*) The prices of 1892 were extraordinary high. (*Witness.*) I have taken 1893–94 together, and 1894–95 together, and I find that in every division almost there has been a fall in prices. I have taken division by division, in order to show that there is not only a fall in the different provinces, but that there is a fall in prices all over India in almost every division. I cannot myself explain that in any other way excepting by imputing it to the closing of the mints. I was in Bengal myself in 1892, 1894, and 1895 (I was absent in 1893), and the fall in prices in 1894–95 was certainly not owing to any abundant harvest, because there was scarcity in some parts of Bengal in those years, and there was scarcity in the North-West Provinces, so that naturally you would expect that prices would range high in 1894 and 1895. Instead of that, prices apparently fell in all parts of India. What I am driving at is this, that, although the prices fell, the cultivators had to pay the same amount in rupees. When they sold their wheat, say, at 13 seers for the rupee, they paid a certain rent; when prices fell to 15 or 16 or 17 seers the rupee, they got less by the sale of their wheat, but they had still to pay the same rent. In other words, it was an indirect increase in the rental all over.

10,671. (*Chairman.*) Supposing prices had risen?—The zemindars would have very soon got an increase.

10,672. But take the other parts of India, where there are no zemindars?—Then the Government would have got an increase in the next settlement. The cultivators would have got an advantage for some few years, and then the Government would have had its own share.

10,673. Sooner or later, you say, it would amount to raising the land revenue?—Yes, according to the rise in prices.

10,674. Then you say that there is another and a still graver objection to the proposal. Will you explain that?—The millions of agriculturalists and labourers in India are indebted to moneylenders and mahajans, and the debt is, in many cases, reckoned in rupees, and not in grain. To artificially enhance the value of the rupee, or to fix the value at the rate to which it has been already artificially raised, is to increase the indebtedness of the cultivators and labourers of India to moneylenders and mahajans. The measure serves to add to the profits of the prosperous classes who feed on the distresses of the poor, and to add to the weight of the millstone which the poor and indebted classes carry round their necks. Throughout the bazaars and money markets of India, the effect of raising the value of the rupee is to add to the profits of the rich moneylender, and to enhance the liabilities of the poor cultivator who has a debt. I may only add to this, that even this point was touched upon in that Treasury letter to which I referred just now. In paragraph 20 of that letter from the Treasury to the India Office, dated 24th November 1879, there is this passage:—"This relief"—that is the relief to those people who get their pay from the Government—"will be given at "the expense of the Indian taxpayer, and with the "effect of increasing every debt or fixed payment in "India, including debts due by ryots to money-"lenders." That is exactly the point I have tried to explain.

10,675. What was the state of things when that proposal was made? The then value of the rupee was 1*s.* 8*d.*, and the Government proposed, did they not, that it should be at once raised to 2*s.*?—Yes.

10,676. Is it not against that proposal that the Treasury letter is directed?—I believe that is so, and I think what we are doing now is much the same thing.

10,677. That was a distinct proposal to raise the value of the rupee, which had been for a long time, and was then, about 1*s.* 8*d.*, to 2*s.* At the present time the proposal is to prevent any further fall?—But it has been raised by the closing of the mints from 1*s.* 2*d.* to nearly 1*s.* 4*d.*, and the proposal is to keep it at that.

10,678. Assuming it to be fixed at 1*s.* 4*d.*, that would be raising it, that is what you mean?—Yes, then I was referring to paragraph 18 of the same letter, in which the Lords of the Treasury go on to say, "It alters every contract and every fixed payment in India." Virtually what it is proposed to do now would have very much the same effect. If the value of the rupee is kept at its enhanced rate by the action of the Government, it really adds to the indebtedness of the cultivator to the moneylender. The cultivator's income estimated in rupees has gone down; it went down during those two years, 1894–95, but then, of course, prices rose again during the famine years. I have not taken famine prices into consideration, but it stands to reason that, if the value of the rupee is artificially raised, the income of the cultivator, estimated in rupees, must fall, but his indebtedness to the moneylender, where it is reckoned in rupees, remains the same. Where he is indebted to the extent of 100 rupees to the moneylender, the moneylender will claim his 100 rupees, although the 100 rupees now represent a larger quantity of rice or wheat than before. Probably the whole produce of the field was 100 rupees before, now the produce of the field would not amount to 100 rupees, but the cultivator is still indebted to the extent of 100 rupees; so that, reckoned by his income, (and the income of the cultivator is in the produce of the soil) his indebtedness to the mahajan is increased all round.

10,679. You assume that prices fall as soon as the exchange value of the rupee is raised?—I assume that, because it must be so; and because our experience of those two years shows that it has been so in the past. In the years 1894–95, from the figures that I have given, it is clear that immediately after the closing of the mints the value of crops went down all over India; and it stands to reason that, if the value of the rupee is enhanced, the value of everything, estimated in rupees, must fall. When the rupee is artificially raised, the value of everything must fall. Therefore, by the sale of the produce of his field, whether it is rice or wheat, the cultivator will get, in the number of rupees, less than he got before.

10,680. What have you to say about silver hoarding?—Before leaving this, I would ask permission to say that I think it is sometimes stated that the indebtedness of the agriculturists to the moneylenders is in grain and not in money. I wish to explain that it is so in some cases, but in many cases the indebtedness is in money. In many cases that I know of, in Bengal villages, the debt is estimated in rupees, and the debt is not contracted all of a sudden. Just after the harvest, probably, the cultivator pays off his debt, and then he goes on borrowing 5 rupees or 10 rupees from time to time. When he has to marry a son or daughter, or has some domestic expense of some kind, he goes to the moneylender and gets money advanced till the harvest time comes, and then much of the debt is cleared off. But what I want to point out is that much of his indebtedness is in rupees. There is a portion of it in grain, but much of the cultivator's indebtedness, in Bengal at any rate, is in rupees. Therefore, to that extent, his indebtedness is increased by your artificially adding to the value of the rupee.

10,681. You are assuming that the debt has all been contracted at one specific period and is all going to be paid off at another?—It is annually contracted or runs on.

10,682. But, for instance, during the last 12 months the rupee has been at 1*s.* 4*d.* In 1893 it was at 1*s.* 3*d.* nearly, and in 1894 it was 1*s.* 2½*d.* Then it went down to 1*s.* 1*d.*; then it began to rise, and now it is at 1*s.* 4*d.*, you may say. But the people who contracted those debts contracted them when the rupee was worth 1*s.* 4*d.* or more, and that extends back?—But the debt is renewed from time to time.

10,683. It is renewed in rupees?—Yes, with the interest, and it is paid off also in the harvest time, if there is a bumper crop.

10,684. I want you to explain this. Supposing it is an annual loan; suppose a man raises money on his crops and pays his debt when the crops are sold, he pays and receives according to the then rate?—Yes.

10,685. The injustice would arise if the man borrowed when the rupee was worth 1*s.* and had to pay it off when the rupee was worth 1*s.* 4*d.*; but that cannot occur in one year?—The practice is not uniform. Sometimes the loan is annual, sometimes it is for two or three years.

10,686. But so far, with the exception of three or four years between 1892 and the present time, the rate was always above 1*s.* 4*d.*?—Yes.

10,687. Every liability in India, prior to 1892, was raised on the basis of more than 1*s.* 4*d.*?—Yes.

10,688. Therefore—I am assuming this for the sake of argument—fixing the rupee at 1*s.* 4*d.* would not be an injury, on your hypothesis?—For those old debts, no.

10,689. Nor would it be for those debts contracted in the last two years when the rupee was at 1*s.* 4*d.*?—I did not know it was 1*s.* 4*d.* in the last two years.

10,690. It has been steadily rising. Your argument, whether sound or unsound, would only apply to debts contracted in the three years 1894, 1895, and 1896?—Yes.

10,691. And to settlements made in those three years?—Yes, and a great portion of the settlements

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and debts now current among the agricultural population of India are of those years. The civil law is that, unless a debt is revived within three years, it lapses, and most of the current agricultural debts in India are of the last three years, and those debts have been virtually increased by enhancing the value of the rupee.

10,692. Now will you come to the matter of trinkets?—All that the poor people in India can possibly save in years of good harvest is saved, not in savings banks, which do not exist in India for the poor, but in silver jewellery and trinkets for their women. Practically, all the spare wealth which the cultivating and labouring classes have in India is in this form; and, in years of scarcity and famine, all this silver, or a great part of it, is sold in the affected districts in order to procure food grains. The proposal of the Government of India is virtually one to confiscate about a third of the poor man's savings in India. The value of the rupee being artificially raised, the silver bangle or bracelet in which the cultivator has invested all his savings sells for less than what it cost, and thus, by one stroke of the pen, the Government of India reduces what is really the national wealth of the poor in India, in order to meet its own liabilities on somewhat easier terms. No proposal likely to affect in a similar manner the savings of the poor could be entertained for a moment in England; and it is possible to conceive that, if such a proposal was made in a poor continental country like Italy, the masses would rise in rebellion from one end of the Peninsula to the other. The Indian Government is stronger and more absolute than the Government of Italy, and the responsibility, therefore, of saving the interests of the poor, and of taking no action injuriously affecting the savings of the poor, is all the greater.

10,693. How if the savings were hoarded in rupees?—There is very little of that.

10,694. We will not go into the quantity of it, but what is the proportion?—Of course that would increase in value, but there is very little saving in rupees in Bengal. I have been in a great many districts in Bengal, and practically all the wealth of the cultivating classes is in the silver jewellery of the women. I have been in districts that were affected by scarcity and famine. I remember that, after the great storm wave and cyclone in 1876, I was sent to a place where the cultivators had practically lost all their paddy and rice. Previous to the calamity the people in this place had been very well off, and for nine or ten months they supported themselves by buying shiploads of rice, paying for it by the proceeds of the sale of the jewellery of their women. That was in 1877. The cyclone was in 1876, and this distress was in 1877. I happened to be sent to the island which was most seriously affected by this cyclone and storm wave. On the greater part of that island the crops were totally destroyed. If such a thing had happened in other parts of India it might have been followed by a famine, but here the cultivators were very well off, and their women had a quantity of jewellery, and, as a matter of fact, they brought out these silver ornaments in order to raise money to tide over their temporary difficulty. I did not see that they brought out hoarded rupees; in fact, the hoarding of rupees is rather the exception in Bengal.

10,695. In the case of ornaments bought previous to 1893, what would be the difference between the value at the time of purchase and the value now?—They paid one rupee for a tola of silver, which is the rupee weight. They take the silver things to the bazaar, and now they get 10 annas for the tola. That is where they find the difference.

10,696. The price is regulated by the market value of silver?—The value to the cultivator when he purchased his ornaments was about 14 to 16 annas per tola. Now, for the first time, a difference is made between the price of silver and the coined silver.

10,697. No; the difference that is made is this, that you cannot take silver and have it coined?—The result is that there is a great difference between the price of silver and coined silver.

10,698. The bazaar price is what?—About 10 or 11 annas per tola. In the last 20 or 30 or 40 years, when the cultivator went into the bazaar to buy silver, he paid at the rate of 14 or 15 or 16 annas per tola. They have always made their purchases of jewellery for their women at this rate. Now, if they go to sell their silver ornaments, they get a third less. Therefore it is virtually a confiscation of a third of what they have paid for their jewellery, which, as I have explained, represents the savings of the people of India.

10,699. You say that "the proposals of the "Government of India are calculated to add to its "own liabilities." Will you explain that?—There I was referring to the rupee paper—the Government Securities, as we call them in India.

10,700. You contend that it will increase the charge for interest on those securities?—Yes, it virtually raises the value of the securities, because the rupee is raised.

10,701. You say, "the debt of the Government of India is partly in rupees, and, by adding to the value "of the rupee, you add to the debt"?—Yes. The indebtedness is mainly to moneyed classes in England, and the net result of the proposals, therefore, will be to add to the indebtedness of the people in India to the money-lenders of England. Where the Government borrowed a thousand rupees of small value, the Government now virtually tears up the old bond and executes a new one for a thousand rupees of enhanced value.

10,702. That again will only apply to the borrowing that has taken place in those three years, and the bulk of the rupee debt was contracted before. Therefore the Government gains now?—Yes, my remark applies to what took place in the last three years.

10,703. You say, "the proposals of the Indian "Government mean a general increase in the pay "and perquisites of all officials who are paid in "rupees." Will you explain that: do you draw there any distinction between the incomes that have to be remitted out of India, and the incomes that are spent in India? I will tell you why I want to ask this question. The evidence that has been given here is that inside India a rupee goes now as far as it used to go, practically; that there has been no appreciable difference made in the internal value of the rupee?—It goes further, I should say, from the prices which I have quoted here.

10,704. We have had evidence to the effect that, for all practical purposes, that is so; that is, if I have an income of 1,000 rupees a month and I have to spend that in India, that 1,000 rupees will go just about as far as it would have done 10 years ago?—Well, there has been a fall in the price of food grains, and that means an increase of pay to those who get the same number of rupees as before.

10,705. Suppose I have in India an income of 1,000 rupees per month or 12,000 rupees a year, and if I am obliged to remit 600*l.* a year to England for the maintenance of my family, then at a shilling rate I should not have much left?—I was referring only to what is spent in India. I say the proposals of the Government of India mean a general increase in the pay and perquisites of all officials who are paid in rupees. There, of course, I refer to all officials, including those who are natives of India, and who spend their pay in India. I say the poorer and indebted classes, who deserve relief at the hands of the Government, are crushed by an addition to their taxes, by an addition to their indebtedness, and by a reduction of their savings, while to the fortunate classes who are in the Government service, or who draw their pensions in rupees, the Government makes a real donation in the shape of an unearned increase to their pay and perquisites.

10,706. The gist then of this is that you regard raising the value of the rupee as adding to the national debt of the people of India and to the high price

which their foreign administration costs?—Their administration generally, because I am referring to the native employees also.

10,707. Then will you tell us how you think these proposals have an effect on the manufacturers of India?—On that point I should premise that my information is second-hand, because I am not personally engaged in manufacture or trade; but I have consulted men engaged in trade, and they tell me that the raising of the value of the rupee artificially dislocates trade, and has injured manufacture. I have heard from merchants engaged in Bombay in the cotton industry, that the cotton industry is in a miserable state just now, especially in competition with the produce from China and Japan, and they impute that, directly or indirectly, to the closing of the mints. It is well known that many of the manufactures of India have been all but ruined—within the memory of living men—by an unequal competition with the steam and machinery of Europe. I have myself, within the period of my service, visited villages of weavers almost deserted, and relapsing into jungle, manufactories of various Indian dyes, which have been closed and abandoned, and industries in metal and in leather, which are declining. It is useless to complain of this, it is useless to expect, in these days of free trade, that any sort of protection would be extended to the dying industries of India by the British Government. But it is not unreasonable to expect that the Government will refrain from taking any direct action calculated to further repress the declining Indian industries. If India had representative institutions, the representatives of the cultivators and manufacturers and exporters would have unanimously raised their voice against artificially raising the value of the rupee. In the absence of such representative institutions, the Government of India represents the interests of the people, and a moral obligation rests on the Government not to sacrifice the interests of the people to the demands of special classes, however strong and however influential. British trade is prospering with other Asiatic countries having silver currencies; why should British traders demand, in the case of India, a fixed ratio between gold and silver, which they cannot demand from other Asiatic countries? The people of India do not ask for it; the people of India will not profit by it; the people of India are likely to lose in a variety of ways, as indicated above, by the artificial raising of the value of the rupee. And the Government of India, naturally representing the people, and standing forward as the protectors of their welfare, should reject a scheme which the people do not want, and cannot profit by. What I ask is that no further impediment should be placed in the way of manufactures by the closing of the mints, and by the direct or indirect consequences arising from that. It is my opinion, derived from merchants, both in Calcutta and in Bombay, that the closing of the mints has very seriously affected the cotton industry of Bombay, the sugar industry in Bengal and in Northern India, and several other industries in India, and especially industries which are affected by the products of those countries which have silver currencies, like China.

10,708. You think it has affected the competition with China?—Yes.

10,709. Do you regard it as giving a bonus to China as against India?—That is the opinion of the merchants I have consulted.

10,710. You say, "The proposal of the Govern-" ment of India is not the natural or the proper " remedy for that increasing drain which is annually " flowing from India to England, in the shape of " pay, and pensions, and allowances"?—The allowances are paid in England in gold, and, instead of reducing its gold obligations, which is the natural and the proper remedy, the Government seeks to adopt the unnatural and desperate and dangerous remedy of converting all its revenues in India into gold. Let us suppose the case of an Indian landlord, who gets his rents from his estate in rupees and has to pay an agent in London in gold. What would courts of justice and equity think if the landlord preferred suits to realise his Indian rents in gold, on the ground that he has to pay one London agent in gold? His prudent and proper course would be to minimise his London expense, and, similarly, the natural and proper remedy for the difficulties of the Government of India would be to carry on the administration of India, as far as it is consistent with efficiency, through the instrumentality of the children of the soil, whose pay and pensions have not to be defrayed in gold. I say that an endeavour ought to be made, as far as is compatible with efficient administration, to reduce its expenditure; to have as much work done in India by the natives as possible, and, I think, with the spread of education in India, it is possible now to utilise the people of India to a larger extent than is done now under the existing rules. Under the existing rules, the higher services in all departments are recruited from England, and, therefore, from among Englishmen; not only the Indian Civil Service, which includes the Executive and Judicial services, but also the Engineering Department, the Post Office Department, the Opium Department, the Forest Department, the Medical Department, and the Education Department. In all those departments—I do not know why, but it is a fact—the higher posts are almost invariably filled by Englishmen. The result, of course, is that there is a greater drain from India to this country. When these people retire from the various services, their pensions have to be paid by India, and remitted to this country. My idea is, even from this financial point of view, it is now desirable that, education having spread in India, a greater proportion of the higher posts in the service should be allotted to the people of India.

10,711. At reduced payments?—Reduced gold payments—at reduced payments in the first instance, and also reduced gold payments.

10,712. You think, generally, that there might be a great reduction of expenditure?—Yes.

10,713. Both military and civil?—Yes.

10,714. Then you say, "the proposal of the Indian " Government withdraws the natural check which " now exists against extravagant expenditure and " unlimited borrowing in England." I do not quite follow that. First of all, you can borrow in England at a very low rate of interest?—Yes.

10,715. Is it an advantage to India to have English money spent in productive works in India?—If the Government have to borrow, it is certainly an advantage to be able to borrow at low rates; but, I say, an earnest attempt ought to be made to reduce our public debt, as has been done in England during the last 50 years.

10,716. What is the public debt of India?—The debt has gone up by 63,598,000*l.* sterling in the last 20 years.

10,717. Would you define what you mean by "the debt" of India?—I am speaking of the total debt, including railways. I will distinguish that afterwards.

10,718. But that is all important. Of course, where we have made such very large and successful efforts in this country to reduce our debt, the debt is represented, so to speak, by nothing—there is no property against that debt; it was a debt incurred for public purposes at the time, and there was no reproductive return upon it. Therefore, it is a burden upon the taxpayers of the country, and we have a sinking fund; and when we reduce the debt, as you very properly say, that is an advantage to the country. But let me put this extreme case: Suppose this country had to take over the whole railway system of Great Britain, and had to pay 1,000,000,000*l.*—which, I suppose, is a very moderate estimate—would you say that the debt of this country was increased by 1,000,000,000*l.*?—I will take the two things separately, as you desire.

10,719. If you please. I wanted to be quite clear, because my impression is that for the year 1898–99, the year we are now in, the charge for the debt

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proper of India is a lower figure than it has ever been since the Mutiny. I have the figures here from the parliamentary return; 15 years ago, the charge, in 1884-85, was Rx. 3,907,848. This year the interest on debt is Rx. 2,448,000?—I take the figures for the last 20 years, according to Sir Henry Waterfield's evidence before this Committee. He says, "the total increase of debt in this country within this period is 63,598,000*l.*" Against that he shows a total capital outlay on public works of 61,036,000*l.* sterling. If you take that completely away from both sides, the debt within the last 20 years, which have been years of continuous peace inside India, has not been reduced at all, according to Sir Henry Waterfield's evidence. He says, what we have spent on productive works—in which he includes, I suppose, railways, canals, and irrigation works—is more than covered by the debt that we have incurred in this country. We have spent on public works about 61 millions, we have borrowed 63½ millions. So that, if we deduct all that has been spent upon public works, and so forth, and on the other hand all that we have borrowed in England, our net indebtedness, instead of being reduced, as has been done in this country, has increased in India by 2½ millions in these 20 years.

10,720. But the fall of the rupee alone involved the Indian Government in borrowing 6,000,000*l.* sterling?—But the fall of the rupee has directly increased the revenues of the Indian Government.

10,721. Dividing the debt into the debt in India and the debt in England, the excess of assets in India (such as railways, irrigation works, loans to corporations, &c.) over the debt in India is Rx. 29,489,000. As against this, there is a balance of liabilities over assets, so far as the debt in England is concerned, of 55,675,000*l.* So that, when the Secretary of State put his Budget before the House of Commons last session, the real debt of India, which represents the Mutiny and all the military operations that have taken place in India, is the difference between the liabilities of 55,675,000*l.* in England, and the assets of Rx. 29,489,000 in India. You can hardly find a parallel to that state of things. All I want is, that you gentlemen, who influence public opinion—quite legitimately—amongst your own people, should not think that your country is as poor as it is sometimes supposed to be?—I should like to learn that from you.

10,722. The interest upon the debt of India is this year only 2½ crores?—Will you allow me to take these two things separately. I will leave out of consideration railways now, and I will say that, taking Sir Henry Waterfield's figures, there has not been any reduction in the public debt of India in the last 20 years. Those 20 years have been years of uninterrupted peace, during which there has been a great deal of reduction of the public debt of England; and, I say, there ought to have been a very considerable reduction in the public debt of India.

10,723. Do you say there has been a period of uninterrupted peace for the last 20 years?—Yes.

10,724. What do you say to the Afghan war?—That only cost 3,000,000*l.* You mean the war last year?

10,725. No, I mean the Afghan war?—That is 20 years ago.

10,726. Since 1880 the English Exchequer has voted 5,000,000*l.* towards the cost of that war?—I know. It was a war outside India.

10,727. At any rate, you cannot call it a period of uninterrupted peace?—Leaving out the expense of the Afghan war, which was a war outside India, we have made no reduction in the public debt of India, and we ought to have made a reduction. An endeavour ought to have been made during those years of peace to bring down our public debt, so that we might borrow again when it was necessary to do so. And I further say that the people of India—say one financial representative from each of the five great Provinces—ought to be consulted by the Government; they should form a committee, and some place should be found for them in the Viceroy's Executive Council, in order to advise the Viceroy and the Finance Minister in preparing every year's Budget. A systematic endeavour should be made to reduce the net public debt in every year of peace. That is my first contention. My next point is with reference to railways.

10,728. You say: "Every fresh loan contracted in "England by the Indian Government is hailed in this "country as a further opening for profitable invest-"ment; every fresh order for tools and machinery and "rails pleases great English manufacturers; every "new line opened in India is a new opportunity for "English capitalists and manufacturers." Do you not think all those things a great advantage to India?—The first lines of railway were a great advantage to India, and they would have been cheap if we had had to pay twice the amount that we have paid for them; but the new lines which are being added now, from year to year, are not so much for the benefit of the country. I remember the condition of India 20 years ago. At that time all the main lines had been opened. The new lines that have been opened since have not added much to the development of trade; they have been constructed, rather, with regard to local interests. Take one of these newly opened lines in Bengal, which connects North Behar with Assam. The great mass of the cultivators and traders of Bengal did not ask for that line, and have not, as far as my information goes, benefited by that line.

10,729. Who have found the money for that line?—I do not know.

10,730. Do you refer to the Assam-Bengal Railway?—Yes. Nobody travels that way—that is, in the natural course of trade; the trade is all between Calcutta and the northern part of Bengal. The line may be for the interest of some particular class, but we do not know why the line was laid down. We are never consulted in these things.

10,731. But is not that a matter for the people who find the money? In this country there have been railways made from nowhere to nowhere, but, after all, the loss, if there is a loss, is the loss of the people who put their money into the line?—Exactly; but in the case of India, it is the people of India who put their money into the line.

10,732. No?—We are held liable for the guaranteed profit, which comes to the same thing.

10,733. (*Sir J. Muir.*) Is there a guarantee in the case of the Bengal and Assam line?—I believe so.

(*Sir C. Crosthwaite.*) There is a guarantee, I think, in the case of the Assam-Bengal Railway.

10,734. (*Chairman.*) But the capital was all found in this country?—The capital was found; but, so far as the Government gives a guarantee, we, the people of India, are responsible for finding the guaranteed profits from our taxes.

10,735. The guarantee comes in if the traffic is not sufficient to pay?—Yes. A second instance, I would say, is the line from Assam to Chittagong. That goes over a very wild and hilly country, and I doubt if it will ever pay. It certainly has not developed, and will not develop, the trade of that part of the country, because there is hardly any produce at all in that part of the country.

10,736. *Mr. Campbell.*) Has that a guarantee?—I have no information, but I believe it has.

(*Sir C. Crosthwaite.*) It is part of the Assam-Bengal line.

10,737. (*Chairman.*) Let us assume, for the sake of your argument, that the Indian Government have not always sanctioned the best railways, as the English Parliament has not always sanctinned the best railways. We are now dealing with the development of railways throughout India by English capital. Is not that to the advantage of the people of India?—Certainly; but I say that what we are doing lately is different from the main lines that had been constructed before. By 1878 the whole of the trade of India had found proper

and legitimate outlets, and the money which has been spent since has not to the same extent developed trade.

10,738. Then how do you explain the increase in traffic, the tonnage and the passenger revenue?—That is mostly along the main routes constructed before.

10,739. The traffic must be taken as a whole. Taken as a whole, the system of Indian railways, including the railways which are not productive, shews a net return on the capital cost of about five per cent.?—But I find by the last Railway Administration Report, which I have no doubt the Committee have seen, that the total loss to the State up to that date was 57 crores of rupees, out of which about one-half, 28½ crores, had been lost in the last 20 years. I do not condemn railways; we wanted railways to develop India, and we must pay for them, even if it is a losing concern; but what I object to is the unlimited extension of railways at an increasing charge to the taxpayer, after all the main lines have been opened out.

10,740. What do you mean by unlimited extension?—I mean what is going on now.

10,741. But there is no unlimited extension. Government sanction has to be obtained?—No doubt there is the engineer's report and the Government inspector's report, and all the rest of it, but what I object to is that the people themselves are not consulted.

10,742. I do not want you to think that these railways in India are sanctioned without considerable caution—indeed, I think a great excess of caution. I believe that the interests of India would be much better met if the Government gave a freer hand in the construction of public works; and, if English capital goes out there at a low rate of interest, I do not think India has any ground of complaint?—But all this is adding to our indebtedness, and it is a losing concern, according to your own showing—according to the last report published for the year 1897–98. We have lost 57 crores of rupees, and, of that, 28½ crores have been lost within the last 20 years. We should not abandon the railway system altogether, but we should be cautious, and I think the representatives of the people should be consulted before any new lines are sanctioned. There is a railway now under consideration from Mandalay up towards China. Well, it will probably be years and years before that will pay, and at the same time we have either to pay for the construction of it, or to guarantee some profit to the capitalists out of our taxes. These are matters in which, I say, we ought to be consulted. The whole thing is being overdone—to the advantage of the capitalists and manufacturers of this country, and to the loss and disadvantage of the people of India, who are not consulted. That is my contention.

10,743. Now is there any other point that you want to bring forward? You say, "the only check "which now exists is that the interest of the capital "so borrowed has to be paid in gold." In some cases it is the fact, is it not, that the interest on the capital is paid in rupees?—Yes, if you wish to borrow; but the point I wish to make is this: that an attempt ought to be made to reduce our expenditure.

10,744. That is really not before this Committee. We have to consider the question here, whether it is desirable to introduce a gold standard and gold currency into India, and whether it is desirable to have a stable rate of exchange?—What I have said would come directly under that, because the necessity for adopting a gold standard, or for giving a gold value to the rupee, would disappear to a great extent, if the expenditure were so reduced as to make our income meet our expenditure. The loss of which the Indian Government complains would not exist if more economy were practised, and the expenditure of India were reduced.

10,745. Have you considered that, if no step was taken, and the rupee went to its bullion value, and assuming that silver went no lower, you would require at the present rate of expenditure in India something like an increased income of 12 crores?—I have heard that stated. I find, in the first place, that a great portion of that 12 crores could be knocked off by a little economy.

10,746. You think that, by economical arrangement, the 12 crores could be saved?—A considerable portion of it; and the remaining portion could be met by the natural increase of revenue which the very fall of the rupee would give rise to, as I have explained.

10,747. Then, taking your opinion as a whole, you would face that emergency and let the rupee go to bullion price?—Yes. I would have no hesitation whatever about that, because I am convinced that the revenues estimated in rupees would rise, as they have risen in the past, with the fall of the rupee; and, secondly, that a good deal of saving could be effected if we practised economy in India.

10,748. For all those reasons that you have very clearly put before us, you are opposed to the proposals of the Government of India?—I am strongly opposed to them.

10,749. Do you upon this question represent the views of the Indian National Congress?—No, I do not belong either to the Indian National Congress or to its British Committee.

10,750. But you do represent a mass of native opinion that you feel justified in bringing before us?—Yes.

10,751. (*Sir F. Mowatt.*) You have impressed upon the Committee the great importance of reducing the debt of India. In connection with that, I think you said that the whole system of railways taken together is a losing concern?—According to the figures that I have quoted.

10,752. You contended that that were to a considerable extent owing to the fall of exchange?—So I am informed.

10,753. If, therefore, the exchange was to fall further from 1*s.* 4*d.* to 10*d.* it would become a much more losing business?—I think so, unless there is a development in trade.

10,754. And it would be necessary to charge upon the Indian taxpayer a great deal more in order to meet that?—I would not charge the Indian taxpayer more; I would raise the railway fares, in proportion to the fall of the rupee; that is the natural remedy for it.

10,755. You think that the immediate raising of the fares would increase the receipts from the railways?—I think so, if it is in correspondence with the fall of the rupee.

10,756. Are you aware that attempts have been made, so I am informed, to raise the rates of traffic?—I have not heard of it. I am not aware of any such efforts having been made either in Bengal or in Northern India.

10,757. And that would, of course, not affect those lines on which you say from the very essence of the line there is no real traffic?—No, that would not be affected.

10,758. The larger part of the railways made in the last 20 years come under that definition?—That is my impression.

10,759. As regards the whole of them, the increase in fares which you suggest would not help?—It would, because most of our income comes from the older lines.

10,760. But take the expenditure on these lines which do not pay, and never can pay. The increase of fares there would not help you?—Not in regard to these lines.

10,761. Then you have said that the proposals of the Indian Government, including the closing of the mints and the gold standard, practically amount to an increase of taxation?—Yes.

10,762. That increase of taxation is required to enable the Government to meet its external debt. That is the contention, I suppose?—Yes.

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10,763. If those alterations are not carried out, and if the rupee falls down to 10*d.* or 11*d.*, you would admit that the need would be all the greater for the Government of India to find a surplus income to meet its external debt?—Yes, it will have to economise.

10,764. Whatever the ultimate effect of the rebound in trade from the fall of exchange might be, the immediate effect would be that the Government would not be able to meet its external debt, at all events for some years?—For a few years.

10,765. And to meet that, I understand you to say, it should be prepared to borrow?—Yes, for those few years.

10,766. That borrowing, as far as it goes, would increase the debt of course?—Temporarily.

10,767. And your case is that you look forward to some eventual development of trade which will enable the country to supply the Government with a sufficiency of revenue?—The development of trade and the development of revenue from all departments which will result from the fall of the rupee, as I have explained; also reduction of expenditure.

10,768. As regards reduction of expenditure, you are aware that the officers of the Government who have been before us, have not seen their way to any large reduction of expenditure?—I have read portions only of their evidence.

10,769. In talking of a possible reduction of expenditure, you merely suggest that on general principles it is advisable to reduce it, if possible. With the exception of the employment of the Indian officials at a cheaper rate, you have not suggested any way of effecting that reduction?—I have suggested another thing, namely, that the Viceroy's Council ought to consult representatives from each province formed into a committee in framing the annual budget, and I have no doubt the representatives of the people would be able to suggest things to the Finance Minister which would be valuable—not that we are better informed than the Finance Minister—but things do strike us from our point of view which do not strike the Finance Minister. In that way a good deal of reduction might be effected without making administration less efficient.

10,770. I understand you to mean there is not sufficient communication between the governors of provinces and those who advise his Excellency, to enable him to know what are the views of the people?—There is not sufficient communication between the people and his Excellency's financial advisers.

10,771. (*Sir J. Muir.*) The evidence that you have just given has struck me as very important. Could we obtain evidence from others of the natives of India? We have had difficulty in getting at information from the natives of India. It appears to me most desirable that we should have that evidence. Can you suggest any way whereby we could get evidence from intelligent natives of India, men whose evidence would be of value to us and who stand well in their respective communities?—There are very few here, because most of the natives of India in this country are young students, and they have not thought over these matters; but I have no doubt that, if this Committee decided to have the evidence of responsible experienced Indians, they could get them here in the course of two months. There would be a great many people willing to come here, if this Committee desire to get their evidence.

10,772. For example, could we get evidence of men of something like similar experience to your own?—I do not know of any other retired Indian official in this country.

10,773. But I mean, are there others in India whom we can bring over here?—Oh! yes; I think we could get a good many, if you expressed a desire to hear them. I have no doubt the Government of India would be able to send a good many men experienced in administration who would represent also the educated opinion of India.

10,774. Is it the case that there is a feeling prevailing to some extent in India that we are not having sufficient evidence from India itself?—I believe there is such a feeling, so far as I can judge from Indian papers.

10,775. And, in your opinion, it would be desirable that we should take steps to remove that feeling?—It would be very desirable, and also to look at things from our point of view; because the difficulty in deciding Indian questions is not that you have not able men here, but you never see two sides of the question; you always see the official side of the question, and never the other. Therefore, I believe the Indian Government occasionally makes blunders which have a very bad effect in India.

10,776. Is it the feeling in certain quarters in India that too many officials of the Government of India have been asked to give evidence, and too few natives of India?—There is such a feeling; in fact, the feeling is that nearly all the evidence before this Committee, outside that of European merchants, is the evidence of Government officials who have expressed their support of the Government views.

10,777. And is it the feeling that that is injurious to the Government of India's being held in proper respect by the natiues of India?—It is injurious to the interests of the people of India, because the people of India think that they have their own interests, which they can represent, and are willing to represent, and which are not represented before this Committee.

10,778. How should we set about getting this evidence from really good representative men in India — natives of India, but really representative men? Intelligent information is what we want?—There are many distinguished and well known men, and the Government of India, if asked, could certainly select some of them, who have had experience in administration, and who at the same time represent the people of India.

10,779. Could you mention any names?—Yes, I could mention them to-morrow if necessary, or I could to-day, if you like, mention some names.

10,780. Perhaps you might suggest some names now, and you could supplement your list afterwards?—There is Mr. Rojoni Nath Roy; he is a man who has more experience of financial matters than I have, and he is also a thoughtful and well-informed man.

10,781. And in your opinion, would his evidence be valuable to the Committee?—It would.

10,782. Is he a Hindu?—He is a Hindu.

10,783. And would be willing to come here?—Yes. He is a Brahmo gentleman, and he would be willing to come.

10,784. Can you mention any other name?—Mr. Siraj-ul Islam was a member of the Bengal Council at the time I was a member. He is a representative Mohammedan gentleman, highly respected, and very intelligent.

10,785. He would be willing to come?—Yes; he is a Mohammedan gentleman; he can have no objection. Then I would suggest Mr. B. L. Gupta, who was lately acting as High Court Judge, and who would also represent the opinions and feelings of his educated countrymen.

10,786. How long has he held that position?—He and I entered the civil service in the same year. He was acting as High Court Judge for a few months, and he is now, I think, the Legal Remembrancer of Bengal.

10,787. I regard this as very important, because, as I have said, we have had some difficulty in getting the names of men who would come before us, and whose views would carry weight in India. Then are there any others?—I am trying to think of men who have served under the Government, because they have the advantage of some official experience, which goes a long way in the consideration of these questions.

10,788. (*Sir F. Mowatt.*) Do you say you would prefer men who have had experience under Government?—Other things being equal.

10,789. (*Sir J. Muir.*) Are there any other names you can mention?—There is Mr. Sita Nath Roy,

the President of the National Chamber of Commerce in Bengal. He has great experience and can give valuable evidence with regard to trade questions from the Indian point of view. Then there is Mr. A. M. Bose, who was in this country last year. He has shares in some tea gardens, and also he is a barrister and a representative man; he could give valuable evidence.

10,790. Are there any native planters of indigo that we could have?—I cannot think of the name of any just now, but Mr. A. M. Bose would give you a great deal of information about tea; he has shares in some tea plantations, and has a great deal of experience in that business.

10,791. You said that the action of the Government of India in raising the rupee practically from 1*s.* 2*d.* to 1*s.* 4*d.* was very heavily against the cotton industry in Bombay and against the sugar cultivation?—That is my information.

10,792. Is it the case that sugar cultivation is rapidly declining all over India?—So I have heard. In Northern India and in Bengal it has declined very much.

10,793. And the advance of 2*d.* in the rupee is blamed to a certain extent for that decrease?—To some extent, yes.

10,794. How does this advance from 1*s.* 2*d.* to 1*s.* 4*d.* affect the cotton mills in Bombay?—I could not explain how it does, because my information, as I said before, is from the merchants. They say that the way the industry is affected is by giving a sort of bonus to the silver countries; that China and other silver countries have an exceptional advantage as compared with India since the closing of the mints in India.

10,795. That affects China specially?—China and other silver countries.

10,796. Of course, China comes into direct competition with the Bombay mills?—Yes.

10,797. Then is it your opinion that money has been expended in the making of railways not specially for the benefit of the people of India, but for Government purposes?—Or in the interests of special sections—not for the interests of the people generally.

10,798. (*Sir F. Mowatt.*) By "special sections" do you mean special districts or special classes of people?—Special districts, or it may be special classes, but not for the people generally.

10,799. (*Sir J. Muir.*) I happen to know somethink of the Assam-Bengal Railway to which you have referred. What is the feeling in India among Indian natives regarding that railway?—The feeling in Bengal is that it was not needed in the interests of the people generally. It was not needed in the interests of trade generally, because all the trade comes down towards Calcutta, and the native manufacturers and producers did not want it and did not ask for it. Of course, every railway is an advantage to some extent; but whether the advantage of this line to the community generally was sufficient to justify the expenditure is a question on which the people have grave doubts.

10,800. Is it the fact that a large portion of that line goes through dense jungle?—I believe that is the fact, through the Dooars.

10,801. So that, if it is said to be made for the benefit of the tea industry, you would consider that incorrect?—I do not know all the facts about it. The impression in Bengal is, that it was not for the advantage of the general trade of the province.

10,802. You spent a good deal of your time in Bengal, did you not?—Nearly all my time.

10,803. Are you aware that there is a magnificent service of steamers by the Brahmaputra route up to the far east of Assam?—Yes.

10,804. So that, so far as the Assam planters were concerned, the railway was not needed?—I believe it was not needed for them, unless they wanted to make carriage of coolies cheaper. From Behar the coolies now have to be taken to Calcutta, and then take the steamer, whereas this line would take them direct to the north of Assam.

10,805. Is railway carriage cheaper than river carriage?—But the river transport costs a lot of money. Suppose a planter is taking up to his garden two or three hundred coolies, it is not only the steamship fares that he pays, but he has to feed and shelter the coolies. He takes them to Calcutta where they stay a day or two, then to Goalundo where there is, perhaps, another halt, and then on board the steamer. It is possible that all that may be saved by this new line, but, as I said before, I cannot speak of that from my own information.

10,806. Then, a question was put to you as to the possibility of the rupee falling to 6*d.*?—I do not believe that is possible, myself.

10,807. You would be inclined to think that a *reductio ad absurdum*?—Yes.

10,808. (*Chairman.*) Why?—I do not think the rupee could be produced for 6*d.*

10,809. Where do you think the line is drawn? It is now produced to pay at a little over 9*d.*?—That is about as low as it can possibly go.

10,810. Why?—Because, as I have said, I do not think it can be produced at less, to pay.

10,811. (*Sir C. Crosthwaite.*) Have you any knowledge of silver mining?—No.

10,812. (*Sir J. Muir.*) Can it be produced to sell at 9*d.*?—I have been told so, but my information on that point is not worth very much; it is only second-hand information.

10,813. Is it not the case that a very large number of silver mines in America and Mexico would have to be closed down, if it came to anything like that?—That is what I have heard.

10,814. So that the rate would immediately start up from 9*d.*?—That is what I have heard said.

10,815. Suppose the mints were opened now, what effect would that have on the price of silver?—The value of things would go down a little immediately, corresponding to that difference of 2*d.*

10,816. The rupee, you mean, would go down?—Yes.

10,817. But what would be the effect on the price of silver in the London market?—That I cannot say. I would not take it upon myself to say that, because I cannot claim to be an expert. In connection with this I may mention one thing, that this distinction between the market value of silver and the value of the rupee is also liable to give rise to a great deal of false coinage in India. When I was in Orissa, only three years ago, there were forged coins brought from different native states. It was only detected because the silver was debased. But, when you make a difference of something like 5*d.* between the coined and uncoined silver of the same weight, the chances are that a great deal more of this false coinage will take place, and it will be impossible to detect it, because it will pay to make it of good metal. One-third of India consists of native states, and we have no sufficient control over the doings of the people in those native states.

10,818. Then, did we understand you to say that, in your opinion, the action of the Government of India means practically the confiscation of one third part of the savings of the poor of India?—About one third, because, as I said before, the tola of silver as jewellery used to sell at about 14 annas to 16 annas, and now it does not fetch more than 10 or 11 annas per tola.

10,819. Then, in your opinion, when the people of India, especially the poorer classes, come to realise that fact, what effect will it have upon them?—There will be very great dissatisfaction in the country, and they will know, and they will think, and they will be told, that the Government has done some sort of *jadoo* or magic with the currency, so as to depreciate the value of their silver ornaments and to depreciate the value of their field crops.

10,820. In your opinion, do you think the Government of India, by in an arbitrary manner forcing up the rate to 1*s.* 4*d.*, are playing into the hands of those men who are desirous of spreading disaffection throughout India?—Yes; if there be such men, and I

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have no doubt there are, they will be going up and down the country saying, "This Government has "taken away one-third of the value of your silver."

10,821. I should like to get the evidence of some independent Parsees. You are aware that in Bombay the Parsees are amongst the most intelligent of the people. Do you know any intelligent Parsee whom we could get here to give evidence?—I do not know of any here, but Mr. R. D. Mehta of Calcutta is a representative Parsee. Then there is also Mr. Perojsha Mehta of Bombay.

10,822. I should like, if it could be managed, to get a mill-owner of Bombay?—I will send names to the secretary.

10,823. Give us the names of two or three good mill-owners, men of means, who have made a position for themselves in Bombay?—Very well.

10,824. (*Sir A. Dent.*) I merely want to ask you about the ornaments. When a native has to buy ornaments, are they paid for in rupees or in uncoined silver?—Generally in rupees.

10,825. What does it cost on the average to have the rupees converted into ornaments?—The ornament weighing a rupee costs a little over a rupee. A man pays rupees to the goldsmith; the goldsmith gets the bullion, and makes it into an ornament and gives it to the man; the man examines it and sees that it is good silver, pays the goldsmith's wages, and there the transaction ends.

10,826. So that, if he bought his bullion at 10 rupees, when it is converted into ornaments, it costs him 20 rupees?—Oh, no, the goldsmith's charge for making is very small; it is about one anna in the tola. If the silver is worth 10 rupees, the made ornament would cost less than 11 rupees.

10,827. If he has had his ornament made out of bullion silver, he has lost nothing at all, because, when he sells his ornament, he gets back just the same amount of silver as he did before?—He did before the closing of the mints.

10,828. Therefore he is not damaged?—He is damaged in this way. Before the closing of the mints, the ornament cost him 16 annas per tola of silver. Now, if he goes to the bazaar and sells it, he only gets 10 annas per tola of silver.

10,829. I quite understand your argument if he melted his rupees, but I do not see how the exchange comes in, if he takes silver bullion to be made into ornaments?—I think I can explain it in this way: When he made an ornament he bought a rupee's weight of silver for the rupee. It does not matter where he bought it from, but he paid the goldsmith one rupee for one rupee's weight of silver, and the ornament, weighing 10 tolas, cost him 10 rupees, plus the making of the ornament. Now he takes the same ornament into the bazaar, and, whether he sells it as ornament or as silver, he gets only a little over half that money, on account of the difference between the value of coined silver and uncoined silver, due to the closing of the mints.

10,830. I do not admit that the coined silver comes into the question at all; he has lost merely the difference in the price of silver. I do not see where the exchange comes in?—The exchange comes in in this way: If there had not been a difference between coined silver and uncoined silver, the rupee would have gone down with the silver, and gone up with the silver; there would have been a complete correspondence between the value of the rupee, and the value of the uncoined silver. Now you disturb that correspondence. Formerly, a man paid his rupee, and got the rupee's weight in ornaments, whether the rupee was up or down. Now, for the first time, you have made a difference between the value of coined silver and the value of uncoined silver; and therefore, when he takes this thing to the bazaar, he does not get the same amount in coined silver, that is to say, in rupees. That is where the difference comes in, and that means a confiscation of the savings of the nation to the extent of a third of their value.

10,831. (*Mr. Campbell.*) You are in favour of the re-opening of the mints?—I am in favour of the re-opening of the mints.

10,832. Do you object to the gold standard altogether?—I object to the gold standard as applied to India.

10,833. Do you object to the gold standard altogether, or is it merely that you object to the rate at which the ratio between gold and silver is fixed?—I absolutely object to the gold standard for India.

10,834. Do you think that a gold standard or a gold currency would be unsuited to India?—I believe it would be unsuited to India.

10,835. Would it have no advantages in the way of creating a stable exchange?—I do not know if it will be of any advantage to the trading classes, but, from what I have heard from the manufacturing classes in India, they do not want it, and the great population of India, the great producing and cultivating population (and about four-fifths of the population of India directly, or indirectly, are agricultural) do not want it, and a gold standard would injure them, and not benefit them.

10,836. You are aware that it is not so very long ago since India had a gold currency?—I do not know when it was. Under the Mahommedan emperors the mohur was coined, but the usual currency was always silver.

10,837. Gold was legal tender up to 1853?—And silver also.

10,838. It was chiefly confined, I think, to Southern India, but there was a very large gold circulation in Southern India at the beginning of the century, and the general impression was that it was rather a favourite currency?—Was the silver valued according to its gold value, or as silver?

10,839. There was a rate of exchange between the two?—A fixed rate of exchange between the two?

10,840. Yes?—Well, I am not aware of the history of that, but silver was always the usual currency.

10,841. Now as regards the silver ornaments, does much realising of these silver ornaments go on?—A great deal. In every year of scarcity there is a good deal of sale of these silver ornaments, and in the years of bumper crops and good harvests there is a good deal of making of these silver ornaments.

10,842. Is that confined to years of scarcity?—Well, every third or fourth year the rice partially fails—I am not speaking of years of famine, but there are every now and again years of partial distress, and some of the people have to part with their silver things.

10,843. If a man invests so much money in buying silver ornaments for his wife, he does not want to part with them, and as a rule he does not; it is only stress of necessity that will induce him to part with them?—Certainly.

10,844. Taking the country as a whole, does that stress of necessity arise very frequently?—Yes, taking the agricultural population, and taking the lower strata of the agricultural population, there is a bad year after every few good years, and then there is a great sale of these ornaments.

10,845. Taking the last three years, the population of India have been able to buy their silver ornaments very much cheaper?—They bought very little, if anything at all, because these last four or five years have been years of scarcity and distress.

10,846. The imports of silver into India are about as large as they have ever been, even before the mints were closed?—Much of that has been consumed by the richer classes, not the agricultural classes.

10,847. But for whatever purposes it was required, whether for silver ornaments or for any other purpose, the fact remains that they were able to buy silver at about 30 or 40 per cent. cheaper than they could before?—Those that did buy it, yes.

10,848. Is not that a considerable set-off to the fact that the few who required to realise silver were not able to get so much for it as they did before?—I do not see how it could be a set-off at all, if the value

of silver has gone down. The silver bangle, for instance, is not valued simply for the beauty of the thing; probably a glass bangle would be prettier; it is valued because it is worth so much in the market, and, if that price has gone down, the thing depreciates in the eyes of the owner.

10,849. But the owner may buy another one afterwards?—It is of less value to him. If it went down to the value of brass, for instance, he would throw it away.

10,850. But he can replace it at the same price as he gave for the other one?—He can replace it, but it is not of the same value to him.

10,851. You speak of the extent to which the Indian debt is held by Europeans; and you consider that an unfortunate circumstance for India?—Yes.

10,852. But do you not think that the natives of India are themselves very much to blame for that fact?—You cannot blame them for their poverty. Most people who can save have saved in Government securities in India.

10,853. During the last 40 or 50 years, every year has taken out to India millions and millions of gold and silver, the great bulk of which has disappeared altogether in hoards and so forth. Would it not have been an immense advantage to India if that gold and silver had been employed in building India's railways and making India's canals, and industrial works of that kind, instead of being buried in the earth?—There must be some margin of saving for the people, and this silver which has gone there represents that margin of saving. If you divide that silver by the population of the country, it comes to about 6*d.* per head of the population for the year, and that only represents the wear and tear of the silver already existing in the country. I do not think it represents any addition to the quantities of silver in the country.

10,854. But there are hoards of gold as well?—Gold, of course, is only for the rich classes. I do not know how much of this gold goes to India only to go out again.

10,855. (*Chairman.*) Mr. Campbell means on balance?—The Chinese and Japanese and others come to India to make purchases, and, of course, the gold goes out of India with them as their personal property. I do not know whether that has been taken into account. I do not think you can ever know how much goes out in this way.

10,856. (*Mr. Campbell.*) Instead of all that lying useless, would not the country have been benefited, and been much less indebted to foreign creditors, if that money had been employed as I say, instead of being allowed to lie idle?—I do not think it lies idle, because it serves the purpose both of ornaments and savings bank. The only ornament they indulge in in India is these cheap silver things.

10,857. As regards the savings banks, is it not very much more economical and better to put your savings into some interest-bearing security than to tie them up in a bag?—The ornament does not produce interest, but, on the other hand, the money is more quickly expended. If an Indian cultivator had 200 or 300 rupees in the bank, it would disappear in the course of a year or so; but, if it is in the shape of his women's ornaments, he will keep them until he is compelled by famine to part with them. You must take into consideration the customs of the country in considering all these questions. Silver ornaments are a safer and more lasting investment for the Indian than deposits in banks.

10,858. Do you not think that it would be doing the people of India an immense service, if they could be induced to employ their savings in profitable investments, instead of in the senseless hoarding which goes on now?—I do not think it is senseless hoarding. I do not think there is more hoarding in India than is practised by every people on the face of the globe. I do not think that the people of India spend more upon their anklets and bracelets, and so on, than European women spend on silks and finery, which are of less value to them in times of distress.

10,859. (*Sir C. Crosthwaite.*) You consider that the closing of the mints has raised the value of the rupee, do you not?—Yes.

10,860. How is that evidenced?—From these figures that I have put in.

10,861. By the prices?—Yes.

10,862. By a fall in prices?—Yes.

10,863. That is to say, the rupee buys more now than it did?—Yes, more of food grains and more of silver.

10,864. It buys more of other things, including silver, than it did before?—Yes.

10,865. Now, you admit that, if the hoarding had taken place in rupees, the people who hoarded before the closing of the mints gained?—Yes.

10,866. That is to say, each rupee that a man possessed bought more?—Yes.

10,867. Suppose he had hoarded in silver, he sells the silver for less rupees?—Yes.

10,868. Then you say he loses?—Yes.

10,869. Should you consider that a great injustice?—Yes.

10,870. But is not each rupee that he gets in exchange for his silver so much more valuable? Suppose he had saved 5 rupees in rupees. After the closing of the mints his rupees were worth, say, 1 rupee 4 annas; suppose he had saved his 5 rupees in wheat, or silver in ornaments, and he sells that, the rupees he gets for it will also be worth more than they were before?—That would be so with regard to food grains, but not with regard to import products,—the Lancashire cloth that he wears, and so on. It would be worth more with regard to food grains, but not with regard to other things that he requires.

10,871. Therefore, with regard to his food, he would be as well off as he was before?—Yes, the value of the rupee that he gets being so much more.

10,872. The value of the rupee being so much more, although he got so many less rupees, he would be able to buy the same amount of food?—Yes.

10,873. When do the people come in and sell their ornaments?—In years of distress and bad harvests.

10,874. They sell in order to get food?—Yes.

10,875. Therefore, as respects the purchase of food, no loss was sustained by people who sold their ornaments?—No; if prices have gone down to the same extent.

10,876. That is the theory?—Yes.

10,877. And, on the other hand, the man who saved rupees benefited?—Yes.

10,878. We have no information as to the proportion of the savings in rupees to the savings in ornaments?—I can give you a very fair idea. In most of the Bengal hoards you will find the savings in ornaments, and none in rupees.

10,879. On what evidence is that based?—I have been in all sorts of villages.

10,880. So have I. I have spent a great deal of time in Indian villages?—In Bengal villages?

10,881. No; but in the places where I have served. I could not say whether the savings of the people were in rupees?—But I can; I saw them brought out. In years of bad harvests I went to the famine-stricken districts, and I actually saw the ornaments. I only heard of one instance of rupees being brought out in the same way. That was a case in which an old woman died, and a hoard of rupees was found buried in the floor of the room. That is the only instance I can remember of a hoard of rupees being found.

10,882. Can you tell me what was the value of the ornaments that were taken to the mint during the famine of 1877–78?—They sold for a little less than the rupee.

10,883. How many rupees' worth of ornaments were sent to the mint at that time?—I do not know how many went to the mint, because these things were not sent by the cultivators to the mint, they were sold in the bazaars to traders.

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10,884. But still, they would go to the mints?—I cannot say how much went to the mint.

10,885. Have you ever been engaged in settling the land revenue?—Oh, yes.

10,886. Will you tell me where you have been engaged in settling the land revenue?—Orissa was my last station, and the settlements in Orissa were going on under my supervision in 1896.

10,887. Did you take prices into consideration?—No. We found what the Zemindar had already taken from the ryot, and based the settlement upon that.

10,888. You refer to the matter of settling the rent-roll of estates?—Yes.

10,889. And whatever rent-roll you found, you accepted that?—Yes, generally.

10,890. Having tested the rent-roll and found it accurate, you accepted that?—Yes, generally. Some rough classification of lands was made, but, roughly speaking, we accepted the total rental as we found it in each estate.

10,891. But have you actually settled what revenue a man should pay on the falling in of a settlement; have you done that?—No, I do not think I have ever done that.

10,892. I think I heard you say that, since the closing of the mints in 1893, a great many settlements had fallen in all over India?—Settlements are constantly falling in.

10,893. That is a vague statement. Do you make that statement after having examined the records of each province, and seen what settlements have fallen in?—There were the Orissa settlements which went on under my own eyes in 1895–96; then, as I learn from Sir Antony MacDonnell's evidence, there are the North-Western Settlements and the Oudh Settlements going on now. Then there were the Central Provinces settlements; they have been completed after 1893.

10,894. Some of them?—Some are going on still.

10,895. I want to ask you now whether you think that in making those settlements the prices of produce since the closing of the mints had any influence on the rents which were made the basis of the land revenue?—I suppose, to some extent. Generally, of course, the effect would appear after a number of years, and, therefore, this must have affected it to a small extent.

10,896. It could have affected it very little?—But to some extent

10,897 If it affected it at all?—To some extent it affected it, I should think.

10,898. You do not know, of your own knowledge, that it affected it at all?—No, of course not.

10,899. So far as prices were taken into account, the prices over a long series of years would be considered?—The whole thing depends upon how far the Zemindar has taken advantage of the variation in prices.

10,900. I am not talking of the Zemindar. I am talking of the Government revenue?—In the North-Western Provinces, in the Central Provinces, and in Orissa, we go on what the Zemindars get.

10,901. I do not know the practice in Orissa, but in the North-Western Provinces, and the Central Provinces, the rents are carefully examined, and all exceptionally high rents are excluded?—Yes.

10,902. And rack rents are carefully excluded from the settlement?—Yes.

10,903. That being the case, do you think that a fall in prices during the last year or two would have a material effect?—Not very much, I should think.

10,904. Then, if the contracts between the Government and the landlord with regard to the land revenue were made on the basis of prices which were not affected by the closing of the mints, your contention as to any breach of faith on the part of the Government would, so far, fall to the ground, would it not?—I do not think so. The rents were fixed in view of the high prices which prevailed before the closing of the mints. The same rents are demanded after a fall in prices subsequent to the closing of the mints. This is a virtual increase of rental, and therefore breach of faith.

10,905. And the fall of prices in every succeeding year will, of course, be taken into consideration in making the assessment?—Within my experience, there is no reduction in the land revenue in an entire estate or district in the settlements made.

10,906. Do you know of no settlement in which there have been reductions of revenue?—No, not over an entire estate.

10,907. The value of that assertion is modified by the fact that you have never been engaged in making assessments?—Except in Orissa in the way I have explained.

10,908. Is it not the case that no settlement of a district or a province is ever made without reductions in some cases, and rises in other cases?—That may be your experience. I am speaking only of cases that have come within my observation, and every settlement made has shown a net increase in revenue.

10,909. You do not assert that as regards the whole of the settlements?—No, I confine it to cases that came within my observation.

10,910. Then, with regard to the settlement in Bengal and in permanently settled districts, do you think there is nothing to be said on behalf of the Government? You say, to do anything to raise the value of the rupee is, more or less, a breach of faith on the part of the Government; but is nothing to be said on behalf of the Government for their right to keep the rupee at the same value as it had when the settlement was made?—You cannot do that without affecting other parts of India; that is the worst of it.

10,911. I do not say anything about other parts, but, as an abstract question of justice, is there any injustice involved? I admit that, if the rupee were raised above the value which it had at the time the contract was made, there may be something to be said about the injustice of it; but suppose the rupee is merely maintained at the value, or even at less than the value, that it had when the contract was made, is there any injustice in it?—I do not think that, considering the variations of the rupee during the whole period from the date of the permanent settlement, the Bengal Zemindars have any reason to complain of injustice.

10,912. Now, as to questions of taxation. You seem to think that, owing to the fall in the rupee, the Government automatically, as it were, gets an increase of taxation?—Yes, an increase of revenues in all departments.

10,913. In regard to land revenue, you think it gets that when the settlement falls in?—Yes.

10,914. And, if the alteration in prices is taken into consideration, as it would be, and any rise in the rents which had occurred, owing to the fall in the value of the rupee, were taken into consideration, then the Government would get a certain amount in that way?—Yes.

10,915. Now, as to the income tax?—In the same way.

10,916. I cannot understand how it comes out in that way in regard to income tax. The mass of the income tax in India is collected from the officials?—No, the traders pay as well.

10,917. The officials pay income tax?—Oh, yes; they pay a share.

10,918. How does the Government get any increase of income tax from its officials?—It cannot in the case of officials.

10,919. Then in the case of the trader?—If the trader's real income remains the same, his income in rupees must increase; the rupees have depreciated, and so the income tax paid in rupees increases.

10,920. His real income remains the same, you say?—His real income remains the same.

10,921. How is the income tax taken?—In rupees.

10,922. It is a percentage of the income?—Yes.

10,923. Then, if the trader's income remains the same, Government will get the same income tax from

him which it got before?—If his real income remains the same, his income as estimated by the depreciated rupee must increase.

10,924. I do not know what you imply by the term "real income." The income tax is assessed on the man's rupee income?—Yes.

10,925. If he makes an income of one thousand rupees, he pays so much; if his income is two thousand rupees, he pays so much?—Yes.

10,926. Then how can you say that the income tax increases while the income on which it is levied remains the same?—His real income.

10,927. What does "real income" mean?—I mean his income as estimated by the produce of the soil. If rice goes up, and he deals in rice, his income in rupees must increase.

10,928. Your supposition is that he is a trader whose income has remained the same?—In rice.

10,929. You did not say it remained the same in rice?—I said his real income.

10,930. I do not understand a trader whose income is in rice?—I have seen every day of my life large quantities of rice bought by native traders to be sold at a profit.

10,931. Te be sold for what?—For rupees. If the trader bought 12,000 maunds of rice every year and sold them in the bazaar, when the rice was only 1 rupee per maund his profit was 2 pice per maund; when the rice goes up to 2 rupees per maund, his profit will go up to 4 pice per maund; therefore, his income, as represented by rupees, must increase.

10,932. And he will be assessed on that?—He will be assessed on that.

10,933. The rupees are not worth so much as they were before?—No.

10,934. But the Government gets more rupees if his money income has increased?—That is it.

10,935. Now, suppose you close the mints and the rupee falls in value, does the Government continue to assess him in that way?—If you close the mints, the rupee rises in value.

10,936. Then does the Government continue to assess the taxpayer in the same way?—On whatever his income at that time is.

10,937. His income is taken on the income of the year—on his own returns?—Yes.

10,938. Then where is the injustice?—I did not say it was an injustice to the income-tax payer. What I said was this, that by the depreciation of the rupee the Government would get an increase in a natural way from the income-tax payer.

10,939. Provided the taxpayer's business produced more rupees?—Yes.

10,940. As regards stamps, how do you say any increase would take place?—In this way; if the civil causes increase in value, the stamps must also increase; there is an automatic increase in all departments of taxation with the fall in the value of the rupee. That is the real way in which the Government will get an increase.

10,941. Would you hold that that implies that there is an increase of wealth and prosperity in the country owing to the fall in the rupee?—I do not see how the fall in the rupee can either add to, or deduct from, the real wealth of the country.

10,942. It is only that more rupees are in circulation?—It is only that more rupees are in circulation; the real wealth will remain the same.

10,943. By the closure of the mints and raising the value of the rupee, do you think a fall in prices will be brought about?—Yes.

10,944. How is that caused?—The rupee increases in value.

10,945. But why? What makes it increase in value?—It has already increased.

10,946. But I want to know what is the action?—The rupee becomes more rare; its circulation contracts, and, therefore, it goes up in value.

10,947. Then you said that the year after the closure of the mints prices fell at once?—I believe so, from the figures I have compiled.

10,948. Do you think the closure of the mints by order of the Government in 1893 produced an immediate contraction of the currency, such as to affect prices all over India?—It must have done so from these official figures.

10,949. Are there no other causes which affected prices?—There could be no other causes which would affect prices in every division of India like this. There might be local causes for local variations.

10,950. I suppose, in the first year the contraction of the rupee would not be so great as in the second?—I should think not; probably not.

10,951. First of all it would not reduce the number of rupees in the country?—Probably not.

10,952. But it is not a question of juggling; you stopped the coinage of rupees; therefore you merely stopped adding to the currency, you did not take any away?—No.

10,953. Therefore the causes at work would be the export of rupees and the loss of rupees, and so on?—Yes.

10,954. So that the second year after the closing of the mints there ought to be more contraction?—Yes.

10,955. And in the third year there ought to be still more contraction?—Yes, other things being equal, there being no other influences at work.

10,956. Are prices lower now than they were in 1893?—Last year famine prices prevailed.

10,957. But this year?—Even now the indirect effects of famine are not yet over, because all the granaries are empty, and people are buying to fill them.

10,958. The contraction is not felt now?—I limit my examination of prices to the two years before the closing of the mints and the two years immediately after, leaving out the subsequent famine years.

10,959. You say that, when the mints were closed, prices fell. Do you say that that was due to the closing of the mints?—I believe so, because I cannot imagine any other cause which would affect all these different divisions of India alike.

10,960. Prices have now risen, have they not?—I believe so, on account of the famine.

10,961. So far as I have known, they have risen everywhere?—I believe so.

10,962. If you can imagine causes which raised prices, surely you can imagine causes which may make prices fall. For instance, if scarcity of crops tends to raise prices, or a demand for export tends to raise prices, the stoppage of exports and plentiful harvests might make prices fall?—But, as a matter of fact, there were no plentiful harvests in these years. I find from Sir Antony MacDonnell's evidence, that the years 1894, 1895, and 1896 were years of scarcity in the North-Western Provinces, and not of plentiful harvests. In Bengal, too, those years were bad years. Therefore, prices ought to have risen. Instead of that, prices fell.

10,963. You think the contraction must have taken effect at once?—I believe so, from these figures.

10,964. Now, contraction would raise the sterling value of the rupee, would it not?—I should think so.

10,965. Will you look at the value of the rupee in those years?—I am not a currency expert.

10,966. I do not wish to ask you questions regarding currency. I want to get at what the sterling equivalent of the rupee was. In 1892–93 the value of the rupee was 1*s.* 2*d.*; in 1893–94, 1*s.* 2*d.*; in 1894–95, 1*s.* 1*d.*; in 1895-96, 1*s.* 1*d.*; so that nearly all the time that this was taking place the exchange did not rise?—I cannot explain this, not being an expert.

10,967. The value of the rupee was even lower?—The sterling value may have been.

10,968. Therefore, I think you ought not to be so positive in these matters?—I am positive about the price of food grains.

10,969. But you ought not to be so positive with regard to the cause of the fall of prices?—I said I believed that the cause of the universal fall in prices

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in 1894 and 1895 was the closing of the mints, and I still believe it.

10,970. Now, with regard to the loss which you say occurs on the railways, are you acquainted with the history of the old guaranteed railways?—Not at all.

10,971. Do you know anything about the rate at which Government is bound to remit the surplus profits to England?—No; I do not know anything about those details. We are never consulted in these matters.

10,972. Because that has a great deal to do with the loss on the railways?—It may be so.

10,973. Even suppose there was that annual loss of two millions, or whatever it is, do you think that is really a high price to pay for the whole railway system of India?—No, I do not think it is a high price to pay for the whole railway system, but it is a high price to pay for these later railways which you have laid down in recent years.

10,974. For instance, the Assam-Bengal railway; is that open yet?—I do not know.

10,975. Do you think it is open the whole way?—No, I do not know.

10,976. Would you be surprised to hear that it is only open for a small portion at present?—I should not be surprised to hear that.

10,977. Until a railway is opened, it can hardly pay, can it?—No.

10,978. And until then one is not justified in saying that it will never pay?—No, but I say it will not meet any requirements of the general trade of the country.

10,979. How do you know that? Are you a trader?—I am familiar with traders in most districts in Bengal.

10,980. I am familiar with many merchants in London, but I should be very sorry on that ground to pronounce on the requirements of English trade?—But we must form opinions on facts in order to decide such a question.

10,981. You have lately come from India?—Not lately, I came at the beginning of 1897.

10,982. You are now resident in England?—Yes. I am a lecturer in Indian History at University College.

10,983. Do you think you could reduce the Government expenditure by employing more natives?—A great deal.

10,984. Can you tell us how many Europeans there are in the covenanted Civil Service?—About 1,000 I think.

10,985. Can you tell me how many natives are employed in the provincial service and in the subordinate services?—That I do not know, I have not the figures. You will find that by——

10,986. But I wanted to know if you knew?—I have not the figures with me.

10,987. Would you be surprised to hear that it is about 10 times the number of Europeans?—It may be, if you include the lower grades.

10,988. Including every grade in the provincial and subordinate services—the munsifs, and so on?—Yes, including men getting 6 and 5 rupees a month.

10,989. You have many districts in Bengal?—We have.

10,990. What would be the area of these districts?—A district of 6000 square miles would be a large one.

10,991. How many English officers would there be in a district of 6000 square miles?—I do not know.

10,992. Two or three?—Oh, more than that.

10,993. There would be the magistrate and the police officer?—Yes, and the doctor, the police superintendent, the assistants, &c.

10,994. Altogether, 4 or 5?—Yes, or more.

10,995. In a district of 6000 square miles?—Yes.

10,996. With a population of what?—3 millions.

10,997. Just one more question about that. If we were able to find natives to take the place of those five or six Europeans——?—But I am not confining myself to the districts only.

10,998. If you were able to find natives to ake the place of those five or six Europeans, would they serve the Government for materially less money than the others get?—Oh, yes, they would.

10,999. You think they would?—If you did not make a distinction—if you did not have two different scales of payment, one for Europeans and another for Indians, for the same service and the same work.

11,000. As long as no distinction was made, you think the natives would serve for less pay?—Yes.

11,001. Do you think we should maintain the standard of government in India in that way?—Yes. With the spread of education the time has come for a larger employment of the natives of India.

11,002. Lower paid natives?—Yes.

11,003. And lower paid Europeans?—Well, you would not get many Europeans at lower pay.

11,004. However, you say that that is a condition, that they should be paid the same?—Yes, I mean there should be the same pay for the same service and work.

11,005. (*Mr. Holland.*) Referring to the depreciation in the rupee value of hoards of ornaments, I gather it is the exchange difficulty which you wish to avoid?—Yes.

11,006. Have you considered whether that could be compassed by the levying of an import duty on silver?—I have not considered that question.

11,007. You have heard that such a suggestion has been made?—Yes. If there is a distinction made between the coined value of the rupee and the value of silver as bullion, then it would not remove the difficulty.

11,008. But one of the objects of levying an import duty, I imagine, would be to equalise that, so that it would avoid the difficulty from your point of view?—Yes, if the value of silver and the value of uncoined silver remained equal, that would avoid the difficulty that I am speaking of.

11,009. Anyone who, after the date of levying an import duty, wished to hoard ornaments, would, of course, be disadvantaged in comparison with the rate at which they could buy now?—They would get less ornaments as compared with their produce.

11,010. I just wish to call your attention to one sentence in the abstract of your evidence, which I will read to you. You say: "It is well known that "many of the manufactures of India have been all "but ruined within the memory of living men by an "unequal competition with the steam and machinery "of Europe." You pin your faith to that?—Yes, but I do not complain of that.

11,011. Would you be surprised to hear that the exact opposite is contended in this country—that many manufacturers here complain that they have been nearly ruined by the competition of India?—I should be surprised to hear that.

11,012. There are a great many people in Lancashire for instance, who think that the Bombay mill-owners have seriously prejudiced them by their competition?—The mills have only started lately.

11,013. Then you say, "I have, myself, within the "period of my service, visited villages of weavers "almost deserted and relapsing into jungle"?—Yes, I have seen that.

11,014. You do not hold Europe responsible for that?—I hold the competition responsible for that, but I do not complain of it, because we live in times of free trade.

11,015. As a matter of fact, Bombay is as much responsible for the ousting of the native weaver as Lancashire?—Possibly.

11,016. I venture to suggest that you are a little pessimistic when you talk of "the dying industries of India"?—But you will notice that I go on to add that I do not complain of this. What we complain of is any additional obstruction given to native manufacture. In Eastern Bengal I have travelled through many villages, and found the weaver caste had disappeared and gone elsewhere, and that is the same in other districts throughout India. I have seen

many dyers' shops closed in consequence of the discovery of aniline dyes in Europe.

11,017. On the other hand it can be proved, I think, that some of the new industries that you have mentioned now pay the natives of India better?—Not in the case of these aniline dyes.

11,018. But with regard to other industries?—Possibly.

11,019. (*Mr. Le Marchant.*) Do you consider that the rise in land revenue would keep pace with the fall in the value of the rupee?—It would follow after a few years. Eventually it would.

11,020. If you take a period of five or ten years, you would expect it to work out closely?—Yes, probably.

11,021. Have you observed how far that has been the case in the past? For instance, if you take ten years from 1886–87 (so as not to include this last famine year, which was exceptional) the fall in the rupee was from something like 17½*d.* to below 14*d.* It was a fall, I mean to say, of more than 20 per cent. and during that period the land revenue appears to have increased only from 23 to 26 crores, a rise of about 13 per cent. There we have an instance of a period of 10 years?—Yes, but there are some places in which settlements are still going on. Sir Antony MacDonnell says with regard to Oudh and the North-West Provinces the settlement is going on now. In Orissa and the Central Provinces the settlements have not been completed yet. When it is done, I think you will get more than your 20 per cent.

11,022. If the rupee were to fall just after the settlements had been concluded, the land revenue would be prevented for many years from rising in correspondence with the fall in the rupee?—For some period, but it will rise in the end, and during those few years probably the people will be a little better off—a result which neither you nor anybody else will regret—provided the Government gets its own proper share when the next term of settlement comes.

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11,023. And you think the area of production will continue to increase?—Yes.

11,024. Is it the case that there is sufficient available land for that purpose?—I find from Mr. O'Conor's evidence that he puts down the waste culturable land at 100 million acres, and the land under cultivation and pasture he puts at 240 million acres. Of course, the land which is not under cultivation is not of such good quality. However, there it is, and there is 100 million acres available.

11,025. Still there would be difficulties in bringing that land into profitable cultivation?—If rice and wheat fetch good prices, much of that land will be brought under cultivation. It all depends on the prices of food grains. As prices go up, land is brought under cultivation, and, as prices go down, land is put out of cultivation. That is going on every year in India.

11,026. Still, would not the margin of profit be less?—I admit it would be so.

The witness withdrew.

Adjourned.

TWENTY-FOURTH DAY.

Thursday, 1st December 1898.

PRESENT:

The Right Hon. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

The Right Hon. SIR JOHN LUBBOCK, Bart., M.P., called and examined.

Rt. Hon. Sir J. Lubbock, Bart., M.P.

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11,027. (*Chairman.*) You are the Chairman of the London Bankers, and President of the Central Association of Bankers?—I am.

11,028. And I think you were also a member of the International Monetary Commission, and the Gold and Silver Commission?—Yes.

11,029. I understand that you wish to disclaim any personal knowledge of Indian finance; you simply deal with it as an expert in banking and finance?—That is so.

11,030. What was your opinion of the policy of closing the mints in 1893?—I should naturally wish to speak with all diffidence on the subject, and not at all dogmatically, but I very much regretted the closing of the mints at the time.

11,031. Did you think that the circumstances of the case did not justify it, or that it was radically wrong in itself?—As far as the facts came before me, I confess that I did not see that the facts necessitated the closing of the mints.

11,032. Do you think that a gold currency would be suitable to the requirements of India?—I think not.

11,033. Do you draw a distinction between a gold standard and a gold currency?—I quite agree with Lord Rothschild that you cannot have a gold standard without a gold currency; and I should like to go further, and say that what I have always understood to be a gold currency is a currency of which the main amount is in gold. Of course, there may be a subsidiary currency, whether a token currency or otherwise, in other metals, and there probably would be; but a country that had only, say, 20 millions of gold, and 100 millions of silver, would, I think, be properly described as having a silver, and not a gold, currency, or it might be described as having a gold and silver currency. But, if you speak of one metal only, you should speak of the metal which is the predominant partner, as it were, in the currency.

11,034. Are you acquainted with the monetary arrangements of Canada?—I have only a general knowledge; I think you will probably get that better from somebody else.

11,035. You said that you did not understand how there could be a gold standard, unless the currency was in the metal of which the standard consisted?—

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I said that I did not think you could have a gold standard without a gold currency.

11,036. I do not know whether you have read the evidence of Mr. Clouston, the general manager of the Bank of Montreal. You will find at question 6755, in the evidence we have already published, that I put these questions to him:—"(*Q.*) You are general "manager of the Bank of Montreal?—(*A.*) Yes. "(*Q.*) That is the principal bank in Canada?—(*A.*) "Yes. (*Q.*) Have you many branches?—(*A.*) Forty-"four in Canada, two in the United States, and one "over here. (*Q.*) Is it a bank independent of the "Government?—(*A.*) Quite. We have the govern-"ment account, but they have nothing to do with "the management of the bank. (*Q.*) Just tell us "what is the standard and what is the currency in "Canada by which that standard is used?—(*A.*) The "standard is a gold standard, the same standard as "an American eagle. We have no gold coin of own, "but the American eagle and multiples of it (the half-"eagle and double eagle) and the English sovereign "are legal tender. We never see a gold coin in "circulation from one end of the year to the other. "(*Q.*) There is no gold in circulation?—(*A.*) "Practically none." Would that at all modify the opinion you have just expressed as to the impossibility of a gold standard without a gold currency?—I think that is what I should call an exchange standard. They keep their financial affairs in a satisfactory position by maintaining an equable rate of exchange. In ordinary conversation you might call it a gold standard, because it is kept on a par with gold; but I think, if you are speaking scientifically, and in a definite sense, it is an exchange standard, not a gold standard. And it is rather important to draw a distinction between the two, because, although in many ways they act in the same manner, there are others in which the effect is different.

11,037. Do you mean that, when Canada had to deal with its foreign trade, it would have to deal in gold?—That would be so.

11,038. But inside Canada they can get on without gold; they have entirely a token or a paper currency?—Yes, but it is not automatic; it has to be regulated by the Government, or the banks. It does not regulate itself automatically, as it would if they had a silver standard or a gold standard.

11,039. Is not a subsidiary token currency always regulated by Government?—But it is not the standard.

11,040. But I am rather looking to this point whether the internal currency of the country need be of the metal which is the standard. Let us assume, for the sake of argument, that we have a gold standard in India. In the first paragraph of your memorandum you say, "It seems to be generally "admitted that a gold currency would be unsuitable "to Indian requirements." I should think everybody would agree with you upon that point, because the transactions in India are so small, one-half of them being apparently in copper, but the general effect would be as stated by you, that a gold currency in the sense that we have it in this country—people carrying about sovereigns and half sovereigns in their pockets—would be unsuitable to the trade and habits of the people of India?—Quite so.

11,041. That being the case, is it necessary in order to make an effective gold standard that there should be a gold currency?—It seems to me so.

11,042. You say we cannot have an effective gold standard without a gold currency?—As long as the main currency is in rupees, and all contracts are made and taxes calculated in rupees, and transactions effected in rupees, and rupees are legal tender to any amount, it appears to me that the rupee is really the standard.

11,043. The rupee or silver becomes the standard?—It would depend upon what regulation you make, but, if you allow the rupee to be freely coined, then I say silver is the standard. If you shut the mints to silver as you have at present, then I consider that an exchange standard is the more technically correct description of it, because the rupee is now dissociated from silver.

11,044. Do you consider that you can have a gold standard in India, unless the Government are prepared to give gold for rupees at a fixed ratio?—I think not.

11,045. And that, you think, would be a very great responsibility for the Government to undertake?—The Government have expressed that opinion, and, as far as my opinion is worth anything, it appears to me that they are entirely correct.

11,046. The Government of this country is not under an obligation to give gold for silver?—No, but then silver is not a legal tender in this country, except in small amounts; and the silver circulation in this country is entirely a subsidiary and a minor circulation, so that I think the cases are entirely different.

11,047. They are different, no doubt, but do you regard it as an effective part of the token currency that the Government should be bound to give the standard metal for it?—Not if it is a token currency. My idea of a token currency is a currency which would not be legal tender, or, if at all, would be legal tender only in such small amounts that practically it would be merely for convenience in small transactions that would not come into consideration in commerce at all.

11,048. Will you give us your definition of an "exchange standard," which is, I think, a phrase of which you are the father?—If a Government issue inconvertible notes, or rupees when the mints are closed, which I should regard practically as notes printed upon silver, and then undertake to keep them at a certain value as far as they are able, I should call that an exchange standard, for the want of a better name.

11,049. Is there any objection to an exchange standard?—I think there is this objection, that an exchange standard is not automatic. The currency will not expand or contract according to the requirements of trade, but it has to be regulated either by the Government or by some financial institution. We know there are at present in India great differences of opinion as to whether the currency is redundant or deficient. Some authorities maintain that it is deficient, and that it ought not to be still further curtailed; others maintain that it is redundant. You have two totally different interests. The interests of some people would be to have the currency curtailed, and others would be benefited by having the currency increased. That the Government should have to decide between those two conflicting interests appears to me to put them in a very difficult position, and one which it is very undesirable they should occupy, if it can be avoided.

11,050. How does the consideration of this fact affect your judgment: that at least 80 per cent.—I think probably a great deal more—of the trade of India is with gold-using countries?—I think, as far as it goes, that is an argument in favour of a gold currency and a gold standard; but I regard the internal trade of a country as being much more important than the external trade, and, therefore, in considerations of currency, it is more important to consider what is convenient for the internal trade than for the external trade. I also think that, as regards external trade, the inconvenience of exchange fluctuations has been considerably exaggerated.

11,051. We were informed that, as far as the internal trade of India is concerned, the closing of the mints has practically produced no effect whatever, that the rupee is practically what it was, and that all the internal trade transactions of India go on as they did before?—Of course, there is the question which I alluded to just now, of either redundancy or stringency of currency — the actual circulating medium—upon which the evidence is, perhaps, to some extent conflicting.

11,052. But, assuming that the internal trade is not affected, either by the closing or the opening of the mints, what would you say then?—I do not think

the internal trade has been materially affected; but prices have been very materially affected by the closing of the mints; the internal trade has not been affected, because you have left silver in circulation, which is convenient for the majority of the transactions of India, excepting in so far as they are of a still smaller amount.

11,053. You think prices have fallen in India?—I think prices would have risen if the rupee had been allowed to fall to the amount of the intrinsic value.

11,054. The evidence seems to show that recently prices have somewhat risen in India. That is Mr. O'Conor's evidence?—Yes.

11,055. Do you think the Government should now take any steps? You stated to us your difficulty with reference to a gold standard, and with reference also to the advantages or disadvantages of an exchange standard. What would you advise?—I very much regretted the closing of the mints, but at the same time, of course, we have to consider what should be done under existing circumstances. I suppose that the Indian Government have committed themselves to maintaining an exchange somewhat approximating to 1*s.* 4*d.* Having done that and given notice that such was their intention, I think they are bound to adhere to it, at any rate for the present, and therefore the experiment ought to be given a longer trial. But I venture to suggest that it would be a good thing to put an import duty on silver, which I think would have considerable advantages. In the first place it would bring in a substantial revenue; in the second place it would tend to increase the demand for Council Bills; and in the third place it would diminish the difference between the value of coined and uncoined silver in India. I do not concur with those who consider that the people of India have been robbed by the Government in the course they have adopted, but I do think those that have accumulated silver, with the idea that they could pay their rents and meet their other obligations by turning it into rupees, are placed at a disadvantage, and I should be rather afraid that it might possibly lead to considerable political feeling. Of course, on that point the Committee are much better able to judge than I am. But it seems obvious that whatever tended to reduce the difference between the value of the uncoined silver in India and that of the rupee, would be a great advantage to those that have accumulated silver in preparation for bad times, and would diminish any complaint there might be as to the loss to be sustained on the uncoined silver which they hold.

11,056. Would it be part of that suggestion that the mints should be re-opened?—I do not think you can safely re-open the mints as matters are at present, even with a duty on silver; but it seems to be impossible to foretell what the value of silver will be in the future. It depends so much on production and various other circumstances; and, having regard to the very great increase in the production of gold which is now taking place, I should think it is at least as likely that silver will rise as that it will fall. If silver should rise, then I think it might be possible, after putting on an import duty and a seignorage, say of one penny, to open the mints, and it would certainly be very desirable to do so.

11,057. You know that there is at present an import duty of 5 per cent.?—Yes, and therefore the principle is conceded.

11,058. What would you consider that should be turned into?—6*d.* per ounce is what I have suggested. Of course, if one was in a responsible position, one would wish to make inquiries before determining the amount. I think it should be a fixed amount. I would rather have it fixed at, say, 6*d.* per ounce than, say, 25 per cent., because that would vary according to the price of silver.

11,059. What would the effect be on the value of silver if a duty was put upon it? I am assuming, of course, that the mints were open?—It would tend to raise the rupee price.

11,060. Would it not be an artificial raising of the price of silver?—I think it would. I do not think it can be logically defended as a course to be taken by itself. I regard it as a *pis aller*, considering the circumstances in which we find ourselves. It is not what I should recommend as an abstract advantage.

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11,061. It would be, as you say, an artificial raising of the value of silver in India only?—That is so.

11,062. Then, if silver remains, as you propose it should, the standard, that would be an artificial raising of the standard?—I do not contemplate that the Indian Government would raise the standard above 1*s.* 4*d.* My object was to enable them to keep faith with those who had trusted in their declaration that they were going to keep it at about 1*s.* 4*d.*

11,063. I do not mean about the exchange value being at 1*s.* 4*d.*; but I understood you to base your position rather on the injustice to the Indian who had accumulated silver for future purposes, and then found that it had depreciated in value; and you propose to put on a duty, in order to level up the value of silver already accumulated?—I put that forward as one of the advantages.

11,064. Then for coinage purposes, and for use in India, the Indian purchaser of silver would have not only to pay the intrinsic value of the bullion, but he would also have to pay a tax to the Government?—As far as he was going to use the silver for ornaments, that would be so. As far as the silver is used for currency it would not be so more than it is at present.

11,065. But the moment he goes outside India, and wants to buy gold with that silver, then the artificial increase in its value is gone, is it not?—I do not think he would do so. He would turn the silver into rupees, and the rupees would be at 1*s.* 4*d.*

11,066. Then you would have to have your exchange standard. The Indian Government, before the present alteration took place, had to buy in London a certain amount of gold with bullion—practically with the bullion value of the rupees they received?—I thought you were speaking of the individual Indian, not the Government.

11,067. I will say the individual merchant. Take the individual purchaser of English goods. He has to find a certain amount of gold in London to pay for them, and formerly he had to buy that gold by the bullion value of the silver in the rupee?—If he has to make payments out of India, what he has to consider is what is the value of the rupee, and what is the cheapest form of remittance. It might be that the fact of there being an export duty on silver might make it not the cheapest form of remittance. It is self-evident that, if you put an import duty on silver, you would tend to reduce the amount of silver that would be imported into India; and, of course, that would also have a tendency to increase the demand for Council bills, which are the competitors with silver.

11,068. It would not increase the intrinsic value of silver?—There would be the difference in the value of silver inside and outside India of about 6*d.* an ounce, just as tobacco inside England is worth more than tobacco which is in bonded warehouses or outside England.

11,069. But, if a Government may artificially increase the value of bullion, is not that exactly the same process as artificially depreciating the currency?—I admit that it is an undesirable thing in itself to put a duty upon the metal which is the standard of value; but the Indian Government was in circumstances in which it was obliged to do something, and the question was what was the least evil. It appears to me that, under the circumstances, that is the least evil.

11,070. You admit that it would be a grave evil?—Oh, yes. But I do not think it would be a grave evil as compared with the present condition of things.

11,071. What do you say about a stable exchange?—A stable exchange is very desirable. But I think the importance of it has been somewhat exaggerated; and I should draw a distinction between what is really a difference in exchange, that is to say, the difference

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of gold, we will say, as between one country and another, which is limited by the expense of carriage and insurance and freight and so on; and what is generally called in speaking of the Indian currency "exchange," which is really a question of the fall in the value of silver.

11,072. Do you think that has been exaggerated?—I think the fall has been a great evil to the Government, because of the great difficulty of increasing the taxation of India; but I draw a great distinction between differences in the true exchange, which can only vary within the limits of carriage, freight, insurance, and other small expenses; and the exchange, as it is generally called in India, which is quite a different thing, and the fall in which is due to the fall in the value of silver.

11,073. In India the difficulty arises from there being two metals of different value?—To some extent. It is very unfortunate that we have nothing that is absolutely stable in nature. We are in that condition, unfortunately.

11,074. And the instability in exchange arises from the fluctuating value of silver as compared with the value of gold?—Silver has fluctuated largely as compared with gold, no doubt, of late years, because the production of silver rose enormously, and various countries, for different reasons of their own, substituted gold for silver, and thereby, just when the production of silver was increasing, they have diminished the demand for silver and increased the demand for gold. But there seems to be no reason in the nature of things why we should regard silver as being less stable than gold. It might quite well have happened that the reverse operation might have taken place, and that the demand for silver might have been increased and the demand for gold decreased. I am old enough, I am sorry to say, to remember when there were apprehensions on that score after the Australian gold discoveries.

11,075. You say that, so far as the revenue is received in rupees, a fall in the rupee would mean a reduction of the revenue?—I do not wish to lay too much stress upon that; but, as the revenue of India was received in silver and silver has fallen, although they have received the same nominal amount, practically it was a lower revenue.

11,076. And, therefore, if the expenditure did not diminish but considerably increased, it involved a large increase of taxation in order to make up the deficit?—That is so.

11,077. Do you suggest that any borrowing might be necessary for a short time, or would you approve of any borrowing?—I should have preferred borrowing for a short time rather than to close the mints.

11,078. Now you want to say something about the land tax. I do not like the phrase "land tax." I use the phrase "land revenue"?—I really do not know that I need go into the question, unless the Committee wish me to do so; but it did seem to me that some persons confuse the functions of the Government as a Government, and as a landlord. Where the Government made an arrangement with a particular individual that he was to pay a certain amount for a certain time, I think it would be most unjust to make any revision of that on account of the bargain having turned against them; but, if a country finds itself under the necessity of raising additional taxation, of course it must be considered how it can do that to the best advantage. As to a land tax, I should say the Government might alter it in India, just as our Government here might alter it.

11,079. The position of things is this, that in India the Government is the owner of the land, and the land revenue is the rent. There is no tax on land; it really is a ground rent, and that is practically subject to the revision of temporary settlements every 30 years. The Permanent Settlement made by Lord Cornwallis a century ago was fixed finally, and therefore that is very much against the Government. Now, in suggesting that any alteration should be made to raise additional revenue, would it not be breaking the contracts with existing tenants, and, of course, raising a great deal of political agitation?—My own idea as regards land revenue is this:—I understand these settlements are falling in.

11,080. They are "revolving," as it may be termed?—They are revolving, and as they expire they would naturally be considered in the light of the fact that the rupee was not worth what the rupee had been before, and that therefore it was fair to expect them to pay a rather larger number of rupees. Of course, it would be a process that would take some time, and, though you would get something additional at once, you would not be able to get the full equivalent to balance the fall of the rupee for a certain number of years. That is why I suggested it might be necessary to borrow for some time. As regards putting on a general tax, I am not advocating that; that is entirely a matter for the Indian Government. I was merely saying that there is an essential difference between putting a land tax on the land as a whole, and raising the rent payable by certain individuals. If you altered an arrangement which you have made with a single individual, it would be very unwise to do so; but, if you determined to put a tax of so much on the land of India, that would apply to the whole of the land of India, just as a tax here would apply to the whole of the land of England. It would not be affected by the question of the particular arrangement which the Government had made with particular individuals.

11,081. Now, there is a suggestion that you wish to make with reference to the debt, as to the burden on the Government?—Where the Government had silver liabilities, of course the fall in silver did not really affect them so much, and I think it must be remembered that, so far as regards the silver debt, really that was practically lightened by the fall in the value of silver. Of course that does not affect individuals, but it does affect the country as a whole. A country which has a debt payable in silver has its debt lightened by a fall in the value of silver.

11,082. I see that in the abstract, but not in the concrete. The whole of the taxation of India is received in rupees; that is the mode in which it is paid. Now, as you say here, and I assume you are correct, the interest on the silver debt is Rx. 3,750,000, and you put the interest on the gold debt at 3,800,000*l*. As a matter of fact, the interest on the gold debt is about one million less than that. Whatever the interest on the debt of India is, it has, so far as the Government of India is concerned, to be found in rupees. Rupees have got to be provided out of taxation—such an amount of rupees as will in London purchase the gold necessary to pay the interest in London in gold on the debt. Now how do those two operations balance one another?—I have no doubt you are correct about the gold debt; I took the figure from Sir Henry Waterfield's evidence on page 162, but I have no doubt your correction is right. If the Indian Government had received their revenue we will say in gold, and then had to pay the interest in silver, as the silver has fallen in value it seems to me that to that extent they would have their burdens lightened.

11,083. But they do not receive any revenue in gold, they receive it all in silver. Let us take this case. Here is 1,000 rupees that is to be appropriated, 500 for paying interest on the silver debt, and 500 for paying the interest on the gold debt—I am taking the old figure of 2*s*. to the rupee. Now the revenue remains—the 1,000 rupees. The Chancellor of the Exchequer in India has to pay the Government creditor in India just as much as he always had to pay, namely 500 rupees, but, instead of his 500 rupees purchasing 50 sovereigns in London, the 500 rupees will only purchase 30 sovereigns, therefore, he must send so many more rupees, or sell so many more rupees, in order to buy in London the other 20 sovereigns?—Certainly, that is so, and therefore so far as the Government is concerned, I quite follow your contention, but, so far as India is concerned (speaking here of India, and not of the Government), she would

have to send a smaller amount of produce, because the silver which she would have to pay would be worth less; therefore, whatever the amount which she has to pay on the silver debt, the produce would go further in paying it. But so far as the Government is concerned, I agree with you.

11,084. Now you suggest a seignorage of 1*d.*; is not that rather a large seignorage?—It is rather large, but I do not think it would lead to any great practical inconvenience. You would not levy a seignorage, of course, until you found that the condition of the silver market was such that, by levying a seignorage, you could then open your mints. I have assumed that the opening of the mints would create an additional demand for silver, and that it would have a moral effect on the silver market; and, I think, in assuming that the opening of the mints would make a difference in the price of silver equivalent to nearly 2*d.* in the rupee, I am taking a moderate figure. I have consulted several authorities in the City, and they seem to think that that is a moderate figure to take it at. Then, of course, the 6*d.* an ounce in silver would be equivalent to 2*d.*, and rather more. If you had the silver market in a condition at which that very nearly brought the rupee to 1*s.* 4*d.*, then a seignorage might make it safe to open the mints, which I think in itself most desirable for the people of India.

11,085. (*Sir F. Mowatt.*) That is based on the assumption that with open mints the rupee would fall to 1*s.* 2*d.* in value?—No, I think not. If you had silver with the intrinsic value at 11*d.*, and if the effect of opening the mints was equivalent to 2*d.*, that would bring the value to 1*s.* 1*d.*; with the duty and the seignorage it would then be 1*s.* 4*d.*

11,086. I mean, you proceed on the assumption that the opening of the mints would bring silver to about 1*s.* 2*d.*?—I suggest that it would make a difference of 2*d.*, or nearly so.

11,087. (*Chairman.*) You know the effect of the purchases of the American Government under the Sherman and Bland Acts. There was a steady fall of silver, notwithstanding those great purchases. I want to know whether you think that, supposing the mints were opened for the unlimited coinage of silver, it would affect the silver market?—I think, certainly, it would affect the silver market.

11,088. Did it in America?—I think it did. It did not prevent the fall, but the fall would have been greater than it was if the Americans had not been buying silver. It did not prevent the fall, but it diminished the fall.

11,089. The fall still went on during all that period?—Yes, and it is perfectly possible that, in a country where you have a gold standard and a gold circulation, you may have a fall; you are open always to the possibility of that altering. I do not say it is likely, but it is quite on the cards that there may be an enormous development of the production of gold, and the sovereign might alter in value intrinsically.

11,090. I suppose the real influence which would settle the price of silver would be the cheapness of the cost of its production and an abundance of the metal?—As compared with the demand.

11,091. Do you and your friends with whom you have talked it over think that, taking the cost of production as it is now, and a reasonable estimate of the sources of supply, the price would be affected? The coinage of silver in India when the mints were open, was on an average about 6 crores a year. Now we cannot assume that it will be much more in the future than it has been in the past. Do you think the sudden purchase of six crores of rupees would produce such a change in the silver market, as to raise the price by the figure you were mentioning to Sir Francis Mowatt, 2*d.* an ounce?—The effect of closing the mints, I think, was a sudden fall in silver of 11 per cent.

11,092. But you remember that it was after the closing of the mints that they repealed the Sherman Act?—It is very difficult, no doubt, to determine what was due to one cause and what to another.

11,093. Assume that the effect of re-opening the mints would be to create an increased demand of from 10,000,000 to 15,000,000 ounces, what effect do you think that would have on the silver market?—It is very difficult to express a decided opinion. I feel strongly that the effect would be a substantial rise.

11,094. You think it would?—I think it would.

11,095. Is there anything further you desire to add?—I should like to add that I concur very much with what fell from Lord Rothschild, with reference to the railway policy. I think it is very important for the Indian Government to encourage English capital being invested in Indian railways, and that the line which the Indian Government has taken has tended to discourage it. Also that it was a mistake to fix the maximum, and not the minimum, of the rupee; because, as soon as the rupee comes near the maximum, naturally anybody who has free money takes it from India, because he has nothing to gain by leaving it there, and may lose by not taking it away. That is an undoubted effect of the existing state of things.

11,096. Having fixed, as it was never intended to do, but as was practically done, a maximum of 1*s.* 4*d.*, and no minimum, that creates a tendency to send capital out of India?—As soon as the value approaches to 1*s.* 4*d.*

11,097. And that is a state of things that you think it is desirable to terminate?—Yes, I think it is an undesirable state of things. Then, I venture to deprecate the raising of a gold loan. I do not see any need for that. At present I do not see that the moral effect of the Indian Government doing it would be an advantage, or that anybody doubts the solvency of the Indian Government at present. It also seems to me to be unnecessary to melt down rupees. I cannot help thinking that with the increase of population and the natural wear and tear of the coin that is always going on, it is quite unnecessary to melt down any rupees.

11,098. In fact, you do not concur in the proposals of the Indian Government?—No, I do not concur in those proposals.

11,099. Have you thought of the Lindsay scheme at all?—The Lindsay scheme seems to me to be a complicated one. I think, if you are really to have a gold standard and a gold circulation, you must do it in the way that Russia and other countries have been doing it; but in that case it seems to me that you would have to replace the great bulk of your present silver currency by a gold currency.

11,100. Will you tell us why you think that?—Because the coin which is the legal standard must be the main coin. You cannot have an enormous amount of token coinage floating about in the country. It would not keep its value, and, if you are really going to have the gold standard and gold currency, the gold currency must be the main currency of the country, as it is here. Of course you would naturally require a certain amount of silver for small change, as we do here, and probably, under the different circumstances of the country, you would keep a larger proportion in India than you do here; but I do not think you could be said to have a gold currency in India unless, supposing the currency were 130 millions sterling, 100 millions were in gold or notes issued against gold. Then if you are going to sell 90 millions or 100 millions of tens of rupees, I think the moral effect on the silver market of destroying the demand, and the effect also of throwing an immense amount of silver upon it like that, would be a very heavy loss to the Indian Government.

11,101. Let us take that operation through its various stages. Assuming that argument is sound, that 75 per cent., you would say in round figures, of the currency of India should be in gold, that is, assuming that the present currency of India is something like 130 millions, that 100 millions of it should be in gold, the 100 millions cannot be in gold without rupees being surrendered for the purpose?—Rupees would have to be surrendered no doubt, but

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they would be surrendered at the rate of 1*s.* 4*d.*, and the Indian Government might have to sell them at 6*d.* or 8*d.*

11,102. Why should they? The internal trade of India is carried on entirely with rupees. You must assume, for the sake of argument, that the rupee remains an unlimited legal tender. If the Government give a sovereign for 15 rupees, then, to the extent of every sovereign paid out, the currency is contracted by 15 rupees?—In the first place, as long as rupees are legal tender to any extent, I should humbly venture to suggest that the rupees are the standard, and that it is a fallacy to talk about gold being the standard as long as rupees are legal tender to any amount. But I am assuming that, other things remaining the same, the total amount of circulation in India would be about what it is now. The present circulation is about that which keeps the rupee at 1*s.* 3½*d.* or 1*s.* 4*d.*; of course, India may require from increase of population and the development of trade a greater circulation, but, assuming that things remain as they are, the amount of the circulation to keep the rupee at 1*s.* 4*d.* must be approximately what it is at present. Therefore you can only force 90 millions or 100 millions of gold into circulation by taking 90 millions or 100 millions of silver out of circulation, otherwise it would be doubling the amount of circulation.

11,103. If the artificial element did not come in, the value of the rupee at the present time would be only 10*d.*?—Certainly.

11,104. To use your own words, what the Government establish is an exchange standard. If they had not done that, the rupee would be 10*d.*?—No doubt, and my argument is this, that, if things remained approximately as they are in India, the circulation must remain approximately what it is at the present time. Therefore, if you are going to introduce 100 millions of gold into that circulation, you can practically only do that by taking 100 millions of silver out of it. That 100 millions of silver is now circulating in India at the rate of 1*s.* 4*d.*, and it will be tendered to the Government at 1*s.* 4*d.*, and the Government will have to pay for it at the rate of 1*s.* 4*d.*; but, when the Government send that silver here or anywhere else to sell it, instead of getting 1*s.* 4*d.* they would only get 6*d.* or 8*d.*, and would lose the difference.

11,105. But would not the next step be this, that, the moment these people had paid their 100 millions in rupees and got gold, they would try to get their gold into rupees again, because they would want rupees, not sovereigns?—But you are assuming that the circulation of India was to contain 100 millions of gold.

11,106. I am assuming that the present circulation in India is 120 millions or 130 millions of tens of rupees. Then the next point to assume is that the Government is bound, when anybody tenders 15 of those rupees, to give a sovereign in exchange for them—which is an obligation which does not exist, by the way, on the Government of this country with reference to shillings; but, assuming that to be so, then the owners of the rupees would go to the Government and get gold. Now, what are they going to do with the gold when they get it?—I have very grave doubts whether, in the condition of India, you could get a gold circulation. That is merely an opinion. Of course, my opinion is not worth anything.

11,107. It is worth a very great deal, and we attach great importance to it. I do not know whether you read Lord Northbrook's evidence?—Yes, I read Lord Northbrook's article, and also the evidence that he gave here. He considers that gold is the proper standard for India, and points out that it was the standard in the time of the Pathan rulers of India, and in the time of the Moguls, and in the time of the East India Company, when it was abandoned. The inference I should have drawn from that would have been, that, as gold had been tried and abandoned, it was pretty clear that silver was more suitable for the requirements of India than gold. All I am contending for is that, as long as you have 100 millions of silver in circulation in India, and only a small amount of gold, practically the standard is silver, and that, if the Indian Government is determined to have a gold currency and a gold standard, then, as the currency cannot be increased, if you are going to substitute gold for silver, you will sell that silver at a ruinous price.

11,108. You are assuming that you are going to sell the silver, but Lord Northbrook does not contemplate that?—Lord Northbrook does not contemplate 100 millions of gold.

11,109. No, his point is that 20 millions of gold will do?—My view is—it may be wrong—that, if you have a currency 110 millions in silver and 20 millions in gold, you may describe that as a gold and silver currency, or you may, for shortness, describe it as a silver currency, but you cannot correctly describe it as a gold currency when the great bulk of it is in silver. Lord Northbrook begins by saying that he is going to have a gold currency and a gold standard. When he comes to develop that, and explain what he means, it appears that the currency is to consist of 110 millions of silver and 20 millions in gold. In my humble judgment, that is not a gold currency. You may call it a gold and silver currency, or, from the principal metal, you may call it a silver currency, but it is not a gold currency, and cannot be correctly so described. I had understood, from reading Lord Northbrook's evidence, that he intended that the great bulk of the currency should be gold, and not silver; but I find, from reading the article, and from communications I have had with him, that that is not his idea of a gold currency. Then, when we come to the standard, he proposes to leave 110 millions of silver circulating in the country. Practically, all transactions are to be in silver, contracts are to be made in silver, and silver is to be legal tender. It is quite true that a person may pay gold if he likes, but, as long as the gold is worth more than the silver, nobody is likely to do that. Therefore, it appears to me that silver would be practically the standard, and that what he proposes is not really a gold currency and a gold standard.

11,110. How do you apply that argument to Canada?—Canada, I think, is on an exchange standard, which has kept a certain relative value to gold, in the same way as France. I observe that the Indian Government speak of France as having a gold standard, but Mr. Hambro will confirm me when I say, and there is no doubt about the fact, that in France 5-franc pieces are legal tender to any extent. They are not worth intrinsically the value at which they circulate; the French gold is also so very much worn and defaced that, if you were to melt it down, it is not worth the price at which it circulates; but the Bank of France regulates the issue of coinage and notes in such a manner as to keep the exchange constant within small differences to 25·20 for the £ sterling; it is really based on the £ sterling; and I think it is rather a proud position for this country to be able to say that the French standard at this moment is a standard based on the £ sterling.

11,111. Is that any injury to France?—It is an unsound position, I think. They have an immense amount of gold and silver, which is no doubt very useful for internal purposes, but, if they were to come to export it, they could not export it; whereas we have a very large amount of gold in circulation, which is really a reserve for the country. If we had a war, and really required it, we could send that gold abroad, and replace it by notes. I hope we shall never be driven to that, but we have that reserve, whereas what the French have, if it is a reserve at all, is a reserve which can only be used at a ruinous loss. Then, the foreign trade of France is only small compared with our own. The French have a very powerful institution in the Bank of France, which is very well managed indeed, and quite independent of the Government. The Bank of France regulates the amount of coinage that is to take place, and so on.

But, in the case of India, though I should wish to speak with every respect of the Presidency banks, which are excellent institutions, they do not hold the same position as the Bank of France does. The currency in India, under these proposals, will really have to be managed by the Indian Government; and the Indian Government will find themselves attacked on the one hand by certain people who have interests in lowering the value of the rupee, and who will maintain that there are too few rupees, and that more ought to be coined; whereas other people, having opposite interests, will maintain that the rupee is redundant and ought to be curtailed, and the Government will have to decide between those opposing interests. That is a very invidious position for the Government to be in, and one which it is very undesirable, if it can be avoided, that the Government should be placed in.

11,112. In my questions, of course, I am not contrasting the financial position of France as against Great Britain. What I am wanting to see is whether the defects which you point out to us in establishing a gold standard in India, with a limited currency, do not already exist in France. Their currency is not unlimited, is it?—No.

11,113. They are not obliged to pay you gold for a cheque on the Bank of France?—No, they have the option.

11,114. Side by side with that, for all the internal trade of France, the 5-franc piece circulates for double its bullion value?—Yes, I suppose it is about that.

11,115. Just as our shilling does?—Yes. But the shilling is only legal tender up to 2*l*.

11,116. For our real business purposes our shilling is worth the twentieth part of a sovereign, whereas its real intrinsic value is not more than one forty-fifth of a sovereign, I suppose?—Yes.

11,117. Now I want, in conclusion, to ask you this: Putting on one side the proposals of the Indian Government, and putting on one side the proposals of Mr. Lindsay, Mr. Raphael, Mr. Probyn, and other experts, simply confining yourself to the question whether it be possible to establish a gold standard in India, with a restricted, in the first instance, but eventually, if you like, an unlimited convertibility of the rupee—would that be a desirable financial system for India? I mean, making the rupee entirely a token coin?—If you have a small amount of circulation of the rupee—10 or 20 millions—which would be about the proportion that you could have as a token coinage, then I think that you might undertake to give gold for it; but, if you have 130 millions of silver, or anything approaching that, the Indian Government have considered—and if I may say so, I venture to think very wisely considered—that they will not undertake the responsibility of giving gold for that amount; and as long as you have the great preponderance of the circulation of India consisting of silver, that silver being the basis of all contracts, and being legal tender to any amount, and the Government declining to undertake to exchange it for gold, I do not think you can be said to have a gold standard. It seems to me that the rupee will still be the standard.

11,118. (*Sir F. Mowatt.*) You assume, I think, that the silver currency for India is about 120 millions of tens of rupees?—I have taken Mr. O'Conor's figures.

11,119. And that the large majority of transactions are so small that they must be carried on in silver rather than in gold?—Quite so.

11,120. And I think also you say that, either by import duties and a seignorage and opening the mints, or by the arrangement which the Government proposes, it is now necessary to maintain the rupee at or near 1*s*. 4*d*.?—I understand that the Government have pledged themselves to that.

11,121. That being so, I feel a little perplexity in following what you said about the difficulty of the gold standard. If this 120 millions is required in silver, why should the native take his silver to the mint, and ask for gold? He will get a coin, at that rate, which is not so convenient for his transactions. Why should he go and get it?—My statement was that it seemed to me that silver was the more convenient currency for India.

11,122. As soon as he takes his rupees, the number of rupees in circulation will become smaller?—Yes.

11,123. And as soon as it becomes so small that he cannot conveniently carry on his business with it, the rupee will rise in value?—That is so.

11,124. When it rises in value, will he not take the sovereigns, in one form or other, back and ask for his rupees again?—In that case you would not have a gold circulation.

11,125. But, supposing, for instance, 30 or 40 millions of tens of rupees are brought to the mint, and gold asked for in exchange. The pinch on the rupee would be so great that it would rise very considerably in value, would it not?—It might.

11,126. Then one of two things would happen. Either they would not go to the mints, and would not get the gold, in which case there would not be this 120 millions in circulation, or they would find it necessary to take back the gold and buy rupees again; otherwise they could not carry on their business?—It would depend on what they did with the gold. If the gold was put into circulation, to that extent the silver would be diminished.

11,127. I have rather assumed, and all the evidence that we have had is, that a very large amount of silver currency was absolutely essential, from the nature of the transactions in India?—I should think that was so, certainly.

11,128. That amounts to saying, does it not, that the whole of the silver currency, or any large part of it, could not really be changed for gold?—I think a large part might; the whole certainly not. But I suppose the Government thought that so much might be changed for gold that they could not take the responsibility of exchanging all of it.

11,129. We have had the equivalent of 15 or 20 millions sterling suggested. Then, assuming that the great bulk of the transactions must still be in rupees, and only a very small part of the transactions in gold, that, you say, is not really a gold standard or a gold currency, but it must be described by some other name—an exchange standard, or a silver and gold currency and standard?—I think, as long as the mints are not open, it is not a gold currency.

11,130. But does it really matter whether it is called a gold currency, or an exchange currency, as long as its effect on trade is the same?—I do not think its effect on trade is the same. In many respects an exchange currency well managed has the same effect as a gold currency. You will see in my paper I have not proposed to alter that at present in India, but the disadvantage of an exchange standard, where it differs from a gold or a silver standard, is that an exchange standard must be managed and manipulated by somebody, either by the Government as it is in India, or by a great financial institution as it is in France. Therefore you do not get under an exchange standard that elasticity which you have under open mints.

11,131. Now, assuming that a large portion of the transactions must be in rupees, to that extent the full amount of the currency could not be in gold?—Yes.

11,132. And the larger that proportion is, the smaller amount of gold will get into the currency; the larger the proportion of trade that was necessary to be carried on in rupees, the smaller the proportion that it would be necessary to carry on with the gold currency?—I think so.

11,133. Although the amount of the silver currency would be larger than that of the gold, yet, so long as the Government guaranteed the rupee at 1*s*. 4*d*., it could not fall below 1*s*. 4*d*., because there would always be gold to be given out at that price, if rupees were brought to the mint?—Certainly. I do not doubt the power of the Indian Government to do it, but I

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venture to think they are wise in not undertaking the responsibility.

11,134. (*Chairman.*) May I refer you to Lord Rothschild's evidence. This is at Question 7621—"You think a gold standard without a gold currency "impossible?—I do, and I would go still further. I "think, if you make up your mind to introduce a gold "standard and a gold currency together, you must be "prepared on occasions to send gold back to London." Then he gave some evidence explaining his reasons for that, and then I asked him this: "What time do "you consider would be sufficient to establish a "gold currency in a normal state of affairs?—My "idea was that the Indian Government as a "Government would only have to provide 20,000,000*l.* "of gold, and, either by preventing the importation of "silver, or by putting a heavier duty on it, a certain "amount of gold would flow automatically to India, "and I would have supposed that it would not have "taken India more than two years, if so long. I "wrote to Vienna and asked them for particulars of "what happened there, and they sent me this paper "in German. They raised, I think we may say, "30,000,000*l.* sterling, but they only bought "20,000,000*l.* of gold, and they put a foot-note here "showing that it did not take them three years to "bring about the change. Now, if Austria can do "that in three years, India can certainly do it more "quickly, backed up with the credit of the English "Government." I do not know whether you have seen that estimate of Lord Rothschild's as to the 20,000,000*l.*?—Yes, I have seen that estimate and I quite agree with it, but I should not consider that that would be a gold circulation.

11,135. I do not know whether you wish to leave upon our mind this impression, that we could not get a gold currency and a gold standard without practically providing 100,000,000*l.* of gold. You said that 75 per cent. of the currency must be in gold in order to get absolute convertibility?—I think that what Lord Rothschild meant there was that the Government could not buy more than that amount. In the case of Russia, the Government collected their customs in gold; they have stopped the produce of the mines from leaving Russia, and they have gradually accumulated gold in that way. I think the Indian Government might do that too. I am very far from saying that, if the Indian Government chose to do it, it could not be done; but my argument is this, that, as the currency must be kept at about the same amount, to whatever extent you issue gold you must reduce the quantity of silver, if you are going to keep the standard to 1*s.* 4*d.*

11,136. Supposing the operation were decided on, what would be your opinion of the quantity of gold that would be required for safety and success? Lord Rothschild puts it at 20 millions, and I think Sir Samuel Montagu put it at rather less than 20 millions, and some witnesses put it as low as 15 millions. Of course it is a very serious opinion of yours, if you think it really would require eight or nine times that amount. If it would take 100 millions of gold, it is of course, one may say, beyond the limits of possibility to establish a gold standard?—My contention is that you could hardly call it a gold currency unless the great bulk of it was gold. You might have half gold and half silver, and then I should call it a gold and silver currency.

11,137. But Lord Rothschild said he would not consider it a gold currency unless the rupee was absolutely convertible?—I have gone on the basis from the beginning that the Indian Government declined to undertake the responsibility of giving gold for the rupee to an unlimited extent, and I am bound to say that they seem to be very wise and prudent in doing so, but, that being the case, I do not think it can be said that you have a gold standard. I should have certainly thought that, if you were really to have a gold currency and a gold standard in India, at least half the currency of India must be in gold. India is a country where the transactions are smaller than here, and probably it would not be necessary to have quite the same proportion of gold as here.

11,138. (*Sir J. Muir.*) I think we understood that in 1893 you did not think the facts necessitated the closing of the mints?—That was my impression.

11,139. Is it your opinion that the Government acted wisely in fixing, in the arbitrary way they did, the rate of exchange at 1*s.* 4*d.*?—I hardly think that upon that point my opinion would be of very much value. I understood that that had been about the average, and that they took it as the average, and that does seem a strong argument, but I do not think my opinion on that point would really be of much value.

11,140. Are you of opinion that it is desirable in such a country as India that the rate of exchange should be allowed to fix itself automatically?—Yes, I think that is very desirable.

11,141. Then, if that is very desirable, you would hardly approve of any means by which, in an arbitrary way, the rate was fixed, and was not left automatic?—I have already said that it was on that ground that I disapproved of the closing of the mints, but, the mints having been closed, I think the Government must take the responsibility in the matter.

11,142. Your own view would be, apart from the difficulties of the situation, to have the mints, as early as it could possibly be done, re-opened?—I think it would be extremely desirable, and it was with that object that I have made some suggestions which I should not recommend in themselves. I think they are an evil in themselves, but I recommend them in order, as soon as possible, to get rid of what seems to me to be a greater evil.

11,143. Then, in your judgment, the internal trade of such a country as India is more important than the external trade?—I think so.

11,144. We have had various ideas from witnesses as to whether or not the currency was redundant or deficient. We have had it in evidence that the Bank of Bengal rate was as high as 12 per cent. last season, and in Bombay the nominal rate was 12 and 13 per cent. We have had it in evidence that Parsees went to the manager of the Bank of Bombay and asked for advances on Government paper, and he said: "I can-"not give it you either at 12 or 13 per cent." "But," they said, "we must have money to meet our engage-"ments, and we would give you any rate you choose "to name to us up to 18 per cent."; and he said, "It is not a matter of rate, I have not the rupees, I "cannot do it." Then the reply was, "Well, we "cannot meet our liabilities; it is a very serious "position for us." Is it your opinion that in such a state of matters the currency could be called redundant?—Not at that place, and at that moment. I read that evidence with a good deal of surprise, and I observe that no statement was made as to how long that very high rate was maintained. We have all known cases of high rates in London, and much higher rates in New York, but it has only been for a very short period. In New York the rate is occasionally very high indeed for a few days, and it may have been something of that kind in the case you refer to. That is one of the evils I referred to. The Government having fixed the maximum, when the rate of exchange approaches that, anybody with free money feels that the rate cannot go any higher and that he may save himself a loss by remitting it, and, therefore, it tends to produce an artificial stringency. I also think that these facts illustrate the inconvenience of having a currency which is not automatic. The Government then has to decide, and it is very difficult for them to decide, whether the facts are such as to justify them in increasing the coinage, or whether the difficulty is only temporary; whereas, if the country has an automatic currency, the Government has not to interfere in that way at all.

11,145. (*Sir F. Mowatt.*) And the Government would have been bound to produce the rupees if the sovereigns were brought to them; therefore the deficiency is rather in the capital than in the currency?

—That is one reason why I suggested that the extremely high rate was perhaps only temporary.

11,146. (*Sir J. Muir.*) Unfortunately it continued during the greater portion of the heavy shipping season?—Then, I am surprised that nobody tendered the gold and demanded rupees, if they knew that it was going on so long.

11,147. You disapprove of melting down rupees?—Yes, I think that is undesirable.

11,148. That would be sure to entail a very heavy loss which there is no occasion for?—It seems so to me.

11,149. Then your opinion, if I understand you aright, is that the land rent might equitably be increased to the extent of the fall of the rupee?—I do not think it would be equitable for the Government to go to any particular landowner and make a difference in his contract. The contract was a contract. But I think it is always open to a Government to say, "We must raise an additional amount of taxation and "we must consider how we can best raise it so as to "create the least inconvenience," and if they thought that the best way of raising it would be by a tax upon land, it seems to me that they would be entitled to impose that taxation. Whether it would be wise or not is a totally different thing. But then it would be a tax upon all land, which is a very different thing from making a difference in the case of particular landowners.

11,150. I am not sure whether you are aware that all over Assam and large districts where tea is grown we get a settlement for 30 years, the Government reserving the right at the end of the 30 years to make a fresh assessment. You, I think, understood, and you are quite correct, that these leases are falling out year after year, more or less. You think it would be a reasonable thing to increase the assessments, bearing in mind to some extent the fall of the rupee?—Yes; I think where the rupee had fallen it would be reasonable to increase the assessment of the land, other things remaining equal. I suppose that would be one of the elements which those who were responsible for the reassessments would take into consideration.

11,151. The only restriction that we have in regard to our tea planters is that they will not assess us at a higher rate than rice lands in the neighbourhood. Are you aware that the chambers of commerce in the great cities, Calcutta, Madras, and Bombay, object strongly to the proposals of the Government of India. You have noticed that, I daresay?—I observe that they object to some of the proposals, at any rate.

11,152. We have had a number of witnesses before us who are interested in such productions as indigo, tea, coffee, &c., and who complain very bitterly that they are subjected to a heavy loss by the difference in the rate. They have to lay down funds in Calcutta to pay for the wages of their coolies, and, supposing the rate is 1*s.* 1*d.*, they will get far more rupees for every 1,000*l.* that they sell in London at 1*s.* 1*d.* than at 1*s.* 4*d.*, and this 3*d.* in the rupee comes to be a very heavy percentage of loss to them. I do not know if any sort of suggestion may have occurred to you whereby this difficulty might be got over. It is one that presses very hard upon all growers of indigo, tea, coffee, wheat, &c. Did you read Mr. Ralli's evidence?—I read Mr. Ralli's evidence. The great majority of the companies that he refers to, I think, were formed when the rate of exchange was higher than it is at present, and it hardly seems to me, therefore, that they can complain, because they are better off now than they were when they were formed. Some of the remaining companies have been formed—and, apparently, very successfully formed—since the Indian Government announced their intention of doing their best to keep the rate at 1*s.* 4*d.* I scarcely think that those who have had notice of it have a right to complain. The companies that were formed between those two periods are, I think, very few in number. You know more about that than I do. There is no doubt that, the lower the rupee, the better it is for those who pay wages in rupees, but I can hardly think that that will be a permanent advantage. If you pay the wages in rupees which are worth less, by degrees the number of rupees which you will have to pay will become more.

11,153. Did I understand you to say that you considered there was no occasion for the closing of the mints, and that the Government of India might have found some other means of meeting their expenditure than closing the mints and raising the rupee to 1*s.* 4*d.*?—The Committee will understand that on a point of that sort I should really wish to speak with the greatest possible diffidence. Naturally, the Indian Government had sources of information which are not open to us. But, looking to the fact that the rate of exchange at the time the mints were closed was, I think, 1*s.* 2¾*d.*, and that an import duty of 6*d.* an ounce would have been equivalent to nearly 2½*d.* in the rupee, and would have brought in 800,000*l.* in money, and that a seignorage of 1*d.* again would have brought in another sum, if you take the present intrinsic value of the rupee at 11*d.* you would have had the seignorage of 1*d.*, which would have brought it to 1*s.*, then 2½*d.* in the rupee would have brought it to 1*s.* 2½*d.*, and the difference between that and 1*s.* 2¾*d.* was, of course, only ¼*d.*, which would have been more than covered by the amount which would have been brought in by an import duty on silver. Although I admit that the imposition of such a heavy seignorage as 1*d.*, and an import duty upon the standard metal, are undesirable in themselves, I confess I should have thought that it was a lesser evil than the very grave step of closing the mints.

11,154. With regard to imposing a duty on silver, have you considered what might possibly be the rate of exchange if the mints were re-opened?—Yes, I have considered what the effect of re-opening the mints would be if nothing else were done. My impression is, as I said in answer to the Chairman, that there would be so great a fall that the Indian Government would not be wise in taking such a step.

11,155. Granting that, what do you fancy the rate would fall to?—Speaking very roughly, I estimated the effect of opening the mints as being about 2*d.* You would add that on to the present intrinsic value; but, as I began by saying, that is a matter on which one cannot express a strong opinion. I have a very strong opinion that it would raise the value of silver, but, when one is asked how much it would raise it, that is, of course, a point on which one can only express an impression.

11,156. You put the intrinsic value at 10*d.*, and you would add 2*d.* to that, that would make it 1*s.* Your opinion is that, apart from anything being done, that might be about the rate—2*d.* above the present intrinsic value?—Yes. I think if you were to open the mints now, and do nothing else, it is extremely likely that the rupee would then fall to 1*s.*, or thereabouts.

11,157. You would not expect it to fall below that?—I have said that I thought it might be about that. It would depend on so many considerations that it is difficult to form an opinion upon a point of that kind.

11,158. (*Sir A. Dent.*) The only question I want to put to you is this: Supposing your scheme of adding 6*d.*, or 25 per cent., to the silver duty were carried out, what effect do you think that would have upon the natives of India who are accustomed to use silver so very largely in all operations?—In the first place, I think there is considerable difference between putting on 6*d.*, and putting on 25 per cent. I should prefer to put it in the form of a fixed 6*d.*, because I do not wish it to vary with the price of silver. But, in answer to your question, I should say that, as regards the natives of India, after all, they would only be giving the same price for silver to which they were accustomed, and even less than they used to give; and, again, silver is not a necessity of life; it is, after all, used for ornaments and luxuries to a great extent, and I think, if you are going to raise money, it is desirable to tax the luxuries and conveniences rather than the necessaries of life.

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11,159. Do you not think it would be almost a prohibitive duty, at first, at any rate?—I do not think so, because the imports of silver were very large formerly, when the price of silver was much more than it would be even with the 25 per cent. import duty. If it did not diminish the importation of silver, it would bring in some 800,000*l.* I suppose it would diminish the importation of silver, but to that extent it would benefit the Indian Government by increasing the demand for Council Bills.

11,160. Then there is a very large export trade from India of silver. India exports silver to a variety of places. Would it not check that trade altogether?—I suppose, in that case, the silver that merely went to India for transmission would be put in bonded warehouses. The Indian Government, I suppose, would hardly impose an import duty on silver which was not going to remain in India. But, taking the balance, there is always an import of silver into India; at least, I think I am correct in saying so.

11,161. Of course, there would be no duty charged on silver that went straight to the mints for coinage purposes to be passed on to Singapore and China in the form of dollars. But I take it that there is a large general trade?—There would be no duty on silver, of course, that was imported by the Government; but silver that was imported for minting purposes by anybody else——

11,162. That is held in bond. I think the British trade dollar that is coined in Bombay is held in bond, and there would be no duty there; that goes to China and Singapore; but apart from that there is, I understand, a considerable export trade in silver from India to various places. Surely your proposal to add a duty of 25 per cent. would strangle that silver trade?—I am afraid it is impossible to raise any additional amount of taxation without interfering with some trade. You have to choose the lesser of two evils. As I have already had the honour of mentioning to the Committee, it seems to me that the three advantages which you would gain would be, in the first place, a considerable increase of revenue; in the second place, you would tend to increase the demand for Council Bills; and, in the third place, you would diminish the difference which now exists between the price of uncoined silver and the rupee, which, I am afraid, may give rise to a considerable amount of dissatisfaction in India, and I think it would also make it rather more difficult to have false coining.

11,163. Then you are not afraid that a duty of 6*d.* an ounce would have a very bad reception in India at the hands of the natives, as interfering very much with their trade in silver and silver ornaments?—I should think that, on the contrary, it would be popular with the natives. I have no doubt the Committee have seen an article by Professor Ghose; I think it was in the "National Review" of last year, in which he expressed (in language, I think, far stronger than the circumstances justified) the belief that the natives of India had been cruelly treated by the Government, because they had laid by silver which they might use in case of illness or calamities of any kind, and the Government by an arbitrary exercise of their power had raised the value of the rupee, and thereby *pro tanto* diminished the value of the silver that they had laid by to meet an evil day. I do not think the accusation was justified. At the same time, I do think that there is a certain ground of complaint, which may be to a considerable extent diminished by the course I have ventured to suggest.

11,164. A duty would possibly be popular amongst those who happen to hold the silver, but I am thinking more of those who have not got the silver, and who want to conduct their business in the usual way?—I have always understood that a very large part of the population of India held a little silver in the form of bangles and other ornaments, even if they have no coined silver. Those who have not silver at all would not be at all affected, because, if they give more for the silver on the one hand, they would buy more with the silver on the other. It would be as broad as it is long for them, except that they would have to pay a little more for their ornaments.

11,165. (*Mr. Campbell.*) As regards the question of convertibility. Assuming that you consider absolute convertibility a thing to be aimed at, do you think that, in making a change such as we have under discussion now, unlimited convertibility is a necessary or desirable thing at the outset?—May I ask what you mean by "convertibility"? I do not think I have used the expression.

11,166. I mean the Government undertaking to give gold for rupees?—You cannot be said to have a gold standard unless the rupees are convertible into gold; but I have been rather venturing to argue against a gold standard.

11,167. Gold and silver being both unlimited legal tender, would you consider it a desirable thing that, at the outset, in making the change, the Government should announce at once that they will convert rupees into gold for anybody who desires it?—No, I think I have expressed, more than once, my opinion that the Indian Government were quite wise in not undertaking that responsibility; but, if you will allow me, I never expressed the previous opinion that you attribute to me (nor is it the case), that gold and silver are both legal tender at present.

11,168. I mean, supposing you were to make both of them legal tender?—That is bimetallism, and upon that I have been asked no questions.

11,169. You do not say that France is bimetallic, and gold and silver are legal tender there?—Not in the sense in which bimetallists use the expression, because you cannot take silver to the mint and have it coined. The sense in which bimetallists use the expression is that you are to be able to take both gold and silver to the mint and have them coined. In that sense, France is not bimetallic at present.

11,170. But that is not the scheme of the Indian Government. The scheme of the Indian Government is to close the mints to silver, and to make silver and gold legal tender on a ratio of 1*s.* 4*d.*?—When you ask me about bimetallism, I wish to point out that I thought the term was being used in the sense in which bimetallists understand it. I am quite aware that the Indian Government have not proposed bimetallism.

11,171. I suppose, in the question of convertibility, there is in your opinion, a great deal of importance to be attached to the settlement of the foreign exchanges?—"Convertibility," as you use the word, would mean bimetallism, would it not?

11,172. What I mean is this: If the balance of trade is against a country, and she has to settle in gold, it would be desirable, under the Government of India's scheme, that gold should be obtainable for the purpose of keeping the foreign exchange from falling below the gold point?—That is one reason why it is so important to a country to have a currency which is really circulating at its intrinsic value. That enables you to meet a drain from a bad harvest or any other cause; whereas, if you have what I have ventured to call an exchange standard, you may have no metal circulating in the country which you can use in that way.

11,173. I think you said that the Bank of France regulates the foreign exchanges, so that it does not depart very far from the gold point?—From the £ sterling—not exactly from the gold point; I must put it a little more definitely. They regulate the currency so that it shall have a certain reference to the English £ sterling, which I ventured to think was rather a proud position for this country to occupy.

11,174. I daresay you are aware that the balance of trade is always in favour of India—that the years in which the balance of trade is against India are very exceptional?—That is so. In other words, that India is nearly always importing the precious metals.

11,175. That being so, and so long as it is so, the question of the precious metals for the settlement of an adverse balance is one that occurs very rarely?—

I think in any country it happily is only likely to occur rarely, because it would only come into operation in the case of a very deficient harvest or some other circumstance, which would upset your calculations.

11,176. But, if the balance of trade is so generally in India's favour, is not the question of convertibility of the internal circulation of minor importance? You say very properly that the internal circulation of India must be, for some time to come at all events, in rupees. Is the question of convertibility as regards the internal circulation of such very great importance as to make it essential that the Government should declare their intention to exchange 15 rupees for a sovereign to anyone who wants it?—I venture to think that it was rather a mistake to do so, that fixing the maximum, and not fixing the minimum, has had the effect that, directly the exchange comes near the maximum, everyone who has loose capital feels that he had better withdraw it, because if he leaves it in India he cannot gain, and on the other hand he might lose.

11,177. Is it essential for the Government of India to say that they will guarantee absolute convertibility? Might they not leave it optional as is the case in France?—If by convertibility you mean convertibility of rupees into gold, the Indian Government have, as it seems to me very wisely, declined to undertake so great a responsibility. So far as it is convenient to have say 10 or 20 millions in gold coins for larger transactions, that might be done; but that is not having a gold currency. I would rather leave India with a silver currency, and re-open the mints as soon as circumstances render it possible to do so, and take such steps as might be possible to bring that desirable event as near as might be.

11,178. Then you say the Indian Government have pledged themselves to do their best to maintain a ratio of 1*s.* 4*d.*?—I have understood so.

11,179. Are you not aware that, when the mints were closed, the final rate to be adopted was expressly left an open question?—I understand that that is so.

11,180. It was left as a question to be decided afterwards according to the light of experience?—Yes, I think that was so, but I understand that since then they have committed themselves as far as possible to maintain a rate somewhere approaching to 1*s.* 4*d.*

11,181. You know that there was no pledge?—As to what the pledges are, or what is the position of the Indian Government, the Committee will of course get that from the representatives of the Indian Government. I think that the general feeling in the mercantile community has been that the Indian Government had expressed their intention of maintaining the rupee at about 1*s.* 4*d.*

11,182. (*Chairman.*) The proposals that they have sent home, the proposals before this Committee, say 1*s.* 4*d.*?—Yes.

11,183. (*Mr. Campbell.*) I asked the question because I think that in your paper you used the expression "breach of faith" in regard to any departure from 1*s.* 4*d.*?—I do not think I used the expression "breach of faith." Certainly not in that context. What I intended to say was, as the Chairman has just said, that the Indian Government had expressed their intention of keeping it at about 1*s.* 4*d.*, which, of course, implies that there might be small fluctuations.

11,184. With the open mints and the heavy seignorage you speak of, you think exchange would be kept up to about 1*s.* 4*d.*?—I think it may be. As I have already said, it depends very much upon the relative production of gold and silver in the future; that I do not think anybody can prophesy 10 or 12 years ahead.

11,185. You do not pretend that it would make a stable exchange?—No, but I think it is quite as likely that the instability may come from a change in the value of gold as from fluctuations in the value of silver.

11,186. In that event the exchange would fluctuate just as it fluctuated in previous times?—Just as it fluctuated in previous times before the great fall of silver. There was no extreme inconvenience until the time came when silver dropped very much in price. Up to that time there were, no doubt, fluctuations in exchange, but they were fluctuations in exchange such as occur between this country and almost any other country.

11,187. But your proposals would not do anything to obviate the fluctuations of exchange according as silver rose or fell?—I had the honour some years ago of serving on the International Monetary Commission. We took then a great deal of evidence with reference to the fluctuations of exchange, and the idea was that it would be extremely desirable to make some arrangement with foreign countries which would prevent fluctuations of exchange; but we found that, if you were to-morrow to have a gold coin, say in Germany, France, and England, which would be issued of the same fineness of metal and exactly the same weight, that would not at all prevent fluctuations of exchange. The actual value of the coin as it came from the mint might be identical—coined of the same fineness and of the same weight—and yet it would not prevent fluctuations of exchange. Fluctuations would arise partly from the fluctuations of commerce, partly from the conditions under which the coins were withdrawn from circulation as they became worn. If you have two countries both issuing coins exactly of the same weight and of the same fineness, which were worth exactly the same when they were issued, and if one of those countries has arrangements, as we have here with our gold currency, under which directly a coin becomes worn it is almost automatically withdrawn from circulation through the Bank of England, and if the other country allows the coins to go on being used, as France does, long after they are very much worn, you would very soon have a difference in the value of those coins, although they were at first identical.

11,188. It would mean a much larger difference than the cost of sending them backwards and forwards?—Yes.

11,189. But would you compare that with the fluctuations between a gold standard and a silver standard country?—No; because, as I said previously, you are now mixing up two things; you are mixing up the exchange which can only vary by the expense of sending the metal from one country to the other, and the difference which may arise from a fall of one metal in relation to the other. But unfortunately, in so many of these matters of currency and commerce, we use the same word in ordinary conversation very often to mean different things, and we fail to make ourselves clear, because we are really speaking of two different things under the same term.

11,190. I notice, when you speak of the circumstances which would suffice to keep exchange at 1*s.* 4*d.*, you include a rise of silver, due to the re-opening of the mints, of about 10 or 15 per cent.—1¾*d.* per rupee?—That is so.

11,191. But you indicated that the heavy import duties might diminish the demand for silver in India?—I think the universal experience of taxation is that, if you put a new duty on any article, or increase the duty, you diminish the importation.

11,192. The importation will decrease owing to the rise in price. Might not that counteract the effect of the re-opening of the mints in raising the price?—I think not, because, to whatever extent it diminishes the importation of silver into India, it would increase the demand for Council bills. Council bills and silver are the two rivals as it were, and if you diminish the one you tend at least to increase the other.

11,193. Then would you consider that this effect would be so certain as to obviate any possibility or probability of the exchange question cropping up again through another heavy fall in silver?—As long as you have any article as the standard of value, gold

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or silver or anything else, you are liable to fluctuations. There is nothing which does not fluctuate in value, and gold and silver have been chosen because they fluctuate in value less than anything else. Theoretically, I think one of these days we shall come to a standard of value which will be composed of many items. There you would have, of course, less chance of variation than you have as long as you have one single substance. My great objection to the suggestion of the bi-metallists has always been that I venture to think that what they call bi-metallism is not really bi-metallism. What they call bi-metallism is giving one party to a contract the option of paying either in one metal or in another, which gives him an advantage, whereas true bi-metallism, I think, would consist of saying that, whatever your designation may be, it should consist of a certain quantity of gold and the same quantity of silver; then in any variation it would be the same for the debtor as for the creditor, whereas, if the debtor has the option as to the metal he is to pay in, he would be at an advantage. That is not strictly bi-metallism at all, although it is what is officially known as bi-metallism because it is the sense in which bi-metallists use the term.

11,194. In one of your replies you spoke of the fact that an import duty of 5 per cent. already existed. Of course, under existing circumstances, silver is only a commodity, just the same as copper, or iron, or Manchester goods, or any other article that India imports?—That is so.

11,195. It is not currency at present?—No, it is not currency till it is coined.

11,196. Do you approve the principle of Government taxing a country's currency?—No; I think I have already said that, theoretically, it is undesirable, but we had to deal with a certain state of things. We had to choose what was the lesser evil under the circumstances. It was only from that point of view, and having regard to the circumstances, that I have suggested it.

11,197. Could you conceive of any circumstances which would induce you to advocate an import duty and a seignorage amounting to about 26 per cent. on gold in this country?—The circumstances are very improbable, but I could imagine such circumstances.

11,198. (*Mr. Le Marchant.*) Would the exchange value of the rupee under the conditions that you propose follow silver exactly in its fluctuations? Would there be any element to cause the fluctuations of the rupee to differ from those of silver?—I think there would be some elements which would prevent its fluctuating exactly as silver, but it would fluctuate much more nearly with silver than it does at present.

11,199. Would not a given weight of silver still be coined into a certain number of rupees, just as at present, so that, if the sterling price of silver altered, exactly the same alteration would take place in the value of the rupee? Would not the variations in pence, or fractions of a penny, be the same under your system as with open mints?—What I have suggested would certainly not prevent fluctuations, but it would tend to maintain the rupee at a considerably higher value than the mere intrinsic amount of silver in it.

11,200. And, to the extent of that fixed difference, India would not be upon exactly the same basis of value as other silver-using countries?—If you mean the advantage which a producer in China has over a producer in India, I think that, after all, though that may go on for some time, it is really a temporary advantage.

11,201. Do you consider that there would be advantages in being on a common basis with gold-using countries?—Other things being the same, I think there would be; but the reason why I do not think it would be convenient in the case of India, is that experience, I think, has shown that a currency of which the great bulk consists of silver is that which is really convenient for the requirements of the people of India.

11,202. How far would your system be automatic? I can understand that silver would flow in under certain circumstances, and be coined and increase the currency; but how far would your system be automatic in the way of providing for an out-flow?—No system would be automatic, I think, until the mints were opened; but the course I have ventured to suggest would make it much easier to open the mints, and might make it possible to open the mints when it would not be possible under any other circumstances; and, of course, as soon as the mints were opened, it would be automatic.

11,203. As a step towards opening the mints, would you propose to reduce the duty if the sterling value of silver rose?—Reducing the duty would not be a step towards opening the mints. The expediency of reducing the duty would depend on many contingencies. If silver rose so that the rate would be maintained at about 1*s.* 4*d.*, even without the import duty on silver, and if the Indian Government could spare the revenue, then I would say, reduce the import duty; but, on the other hand, if the Indian Government really require revenue, I do not know any way in which something like a million of money could be obtained so easily as by an import duty on silver and gold. I think it has been clearly shown in the evidence given before this Committee, and in other papers, that there are very great difficulties in raising other taxes in India. I alluded to the land tax; but although I think it might be equitable and just to raise the land tax under certain circumstances, I am perfectly well aware of the grave political reasons which make it undesirable to do so.

11,204. Whenever steps for removal of the duty were taken, would not that involve a sudden change in exchange values? For instance, so far as the charge of 6*d.* operated to maintain the value of the rupee above the commodity value of silver, would not the removal of the charge cause a sudden alteration?—I do not suppose that any Indian Chancellor of the Exchequer would make a sudden change of that kind. He would probably do it by degrees. If he found that he could do without the revenue, and if he found that it was not necessary for the purpose of maintaining the rupee at a steady exchange, he would say "I advise the Government to lower the duty to 4*d.* or perhaps 3*d.*," and then he might reduce it again, and so on. But the great desire, I understand, of the Indian Government is to have a rupee which would be approximately steady in value.

11,205. Would not such a system of varying the duty introduce a great deal of what has been called "management" into the relations of the Government to the currency, and bring into trade an additional element of uncertainty?—Not, I think, to anything like the same extent as the present system. Whether the duty was to be altered or not would involve the same considerations as whether, for instance, the tea duty should be altered here or not. That would be done by the Chancellor of the Exchequer with the consent of the Government, and so on, and it would be done probably once for all; whereas this question of maintaining the relative quantity of rupees is a question which is continually before the Government, which I think is much more difficult of solution. You can determine whether you can spare a certain amount of revenue; but where you have to determine whether the rupees at any given time are redundant or deficient, we have already seen, and this Committee has seen, what great differences there may be between gentlemen who are very qualified to speak, and who yet come to hold totally different views.

11,206. Any system under which the Government had to determine how much duty to impose, or to remove, in order to regulate the exchange value of the currency, would create serious uncertainty as to the future course of exchange?—No, I do not think that necessarily follows. I understand, and I think the Chairman has confirmed me, that the Indian Government have now expressed their intention of keeping the rupee at about 1*s.* 4*d.* As long as they do that, the public, I think, will feel confidence that they will, as far as they can—of course, circumstances may

render it impossible—endeavour to do what they have announced their intention of doing, and the longer the rate is maintained the greater confidence the public will feel. For instance, the case of France has been very often referred to. I do not know that there is any absolute reason why the Government of France and the Bank of France should not alter their policy to-morrow; but all those engaged in the commerce of France feel that there has been a certain policy pursued for many years, and confidence has gradually grown up, and so I think it would in the case of the Indian Government.

11,207. Therefore, although the proposal is to fix the duty at, say, 6*d.*, it would be understood that this might be varied if opportunity arose?—It is always a well understood principle in politics that it is open to the Government to alter the duties imposed on any article.

11,208. And you would put the currency in this case in very much the same category as other articles?—In this case, yes; having regard to the necessities of the situation; but I think I have already said more than once, and perhaps I ought not to repeat it again, that as a general rule to put a duty on a metal which is the principal article of currency is in itself very undesirable.

11,209. In 1892 you contemplated, I believe, a seignorage of 10 per cent. as advantageous to India?—Yes, and an import duty. I have long been of opinion that under the circumstances of India an import duty and a seignorage were perhaps desirable.

11,210. The seignorage would have been a percentage and not a fixed sum, would it not?—I should on the whole rather lean to a fixed sum.

11,211. (*Chairman.*) It is one penny in your present scheme?—Yes.

11,212. (*Mr. Le Marchant.*) In discussing the term most appropriate for describing a standard, I think you said that the term "gold standard" would not be correct if the volume of rupee currency were large?—I think if you were to tell a person that the standard in India was a gold standard, and then he found his debtor was entitled to pay him in silver, he would be somewhat surprised.

11,213. In speaking of paying in silver, do you have any regard to the fact that the coinage of rupees is limited?—Certainly. That makes a material difference; directly you limit the coinage, you introduce an element of very great difference. Then I think the principal inconvenience is the want of elasticity, and the great responsibility it throws on the Government; but, so far as the relations between debtor and creditor are concerned, of course it is materially altered by the fact of the mints being closed.

11,214. Under a gold standard with a relatively small gold currency, the level of prices might be the same as that which would prevail if the currency were mainly in gold?—I think so. Prices by degrees would conform themselves to the 1*s.* 4*d.* standard.

11,215. I think you were mentioning that you considered prices had been affected by the closing of the mints, and the exchange value of the rupee seems to indicate that?—I think so. If you contrast the Indian ryot with the English farmer, the English farmer has paid his rent with gold, which has not fallen in value, and he has got very much lower prices for his produce. The Indian ryot, on the other hand, has paid his rent in a coinage which has fallen in value, but, as the produce has also fallen in value to about the same extent, the price of produce estimated in currency has remained about the same. Of course, latterly it has gone up, because the currency has fallen rather more than the produce.

11,216. If you regard prices as having adjusted themselves to the rate of 1*s.* 4*d.*, what further test could there be of the possibility of establishing that rate; in other words, is not the adjustment of prices to 1*s.* 4*d.* the main condition requisite for an exchange rate of 1*s.* 4*d.*?—When the Government has announced that they were going to maintain the rate at 1*s.* 4*d.*, which I understand they did announce, because it had been the average rate for some time previously, I think, then, it is desirable to endeavour to adhere to it.

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11,217. What test would you look for to prove whether such a rate is feasible?—My own impression is that it is perfectly feasible, and that really no extreme or stringent measures will be required. I agree with Sir James Mackay on that point. You will remember that on the Gold and Silver Commission we recommended that the French and the United States' Governments should be approached with the view of keeping their mints open, and that, if they did, we should keep open the Indian mints. I agree with Lord Rothschild that it is a pity that those negotiations were so abruptly closed. It would certainly facilitate the opening of the Indian mints if the French or the United States, or both of them, would re-open their mints.

11,218. Apart from any extraneous conditions of that kind, what would afford an index of any one rate being a reasonable one?—If you ask me my opinion about the question whether currency is redundant, it seems to me that the value of the currency depends on the quantity and on the work it has to perform. The present currency is about that which will support a 1*s.* 4*d.* rate, and, as the tendency of all currency is gradually to be destroyed, worn, absorbed, lost, and so on, I think that, as the Indian Government have now attained to a rate of approximately 1*s.* 4*d.*, they will be able to maintain it, if they adhere to their present policy. But one must always speak with a great deal of doubt and hesitation on questions of that kind.

11,219. You were alluding to a remark made in previous evidence, that it was desirable that more encouragement should be given to private capital to flow into India for railways and other works?—I think, if the Government of India were not to undertake [railways themselves, but were to offer reasonable encouragement to private enterprise, many more railways would have been made in India, and that would have opened out the country. The Government themselves would have had a smaller amount to pay here, and their taxation would not have been absorbed to the extent it is by having to make payments on account of the railways. The effect of the Government making some railways is practically to discourage private enterprise from making any others, because the effect on the public mind is that, if you put forward any proposal to make a railway in India, the public say, and, I think, not unnaturally, "if this had been likely to be a paying line the "Government would have made it, and as they do "not think it likely to pay, we would rather not risk "our money in it." It is certainly a very remarkable thing that, whereas English capital has gone largely to make railways in Argentina and elsewhere, and is now ready to do so in China, there is very little disposition to embark in Indian railways. I agree with Lord Rothschild as to the line which the Indian Government have taken with reference to railways.

11,220. (*Mr. Hambro.*) You said that elasticity of the currency was a great advantage?—I think so.

11,221. Suppose your system to go through, and the mints to be open, I see that there would be elasticity in respect of increases of the currency, but I do not see how the other operation would be affected, because silver cannot be exported without a loss, owing to the duty or seignorage?—No doubt that is the case.

11,222. Now I should like to ask you this: We have been told that going on a gold basis at 1*s.* 4*d.* would be very detrimental to India as compared to silver-using countries. I do not lay down as a fact that it would be, but that is what we are told. It would be the same under your system as far as the duty and the seignorage are concerned, but, besides being a disadvantage, if it is a disadvantage, to silver-using countries, it would also be a disadvantage to gold-using countries, would it not?—No doubt, as long

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as those who have capital in India, and who have borrowed money, can pay that money back in depreciated currency in a currency which has fallen—as long as they can pay their wages by a rupee which is worth less than it was before, they would, for a time, have an advantage, but I think that is only a temporary advantage; and, of course, that disadvantage, if it is a disadvantage, is a disadvantage which arises from the 1*s.* 4*d.* rupee. It is no disadvantage arising from the course which I have ventured to suggest.

11,223. I should like to ask one more question. You know that those who last regulated our currency came to the conclusion that a certain amount of bank notes could never be presented. Considering the enormous population and extent of India, do you not think that out of the 130,000,000 of tens of rupees which there are in India, an enormous number of those could never be presented for conversion into gold, if India went on to a gold standard?—Certainly a very large amount must remain in circulation.

11,224. Can you give any idea of the amount by which the currency of India could be reduced without the money market getting so tight that they would want more currency?—That is very difficult to say. One of the difficulties of the Indian currency has arisen from the fall of silver in relation to gold. The course which the Government are proposing to pursue would tend to aggravate that still further.

11,225. I am suggesting at the present moment that the rupee is only a token coinage, or a silver bank note, if you like. I am speaking of it, not as the metal, but as a circulating medium, as a silver note of the Government, if you like to call it so. How many of those could be presented to be turned into gold without money getting very tight again?—It would want someone with more experience of India than I can pretend to possess to form an estimate of that. Mr. O'Conor could give you far better evidence of that than I can.

11,226. It is, no doubt, a very difficult question, but the extent to which the currency can be reduced, and yet the trade of the country go on, that is the total extent of the amount of gold that could ever be asked for from the treasury, is it not?—No, I think it might be a great deal more than that, because a good deal of silver might come in, and gold might be taken for it, which might be still used in the currency.

11,227. It is a question of the amount of small currency which is necessary for the use of the country; the number of rupees which are necessary for the use of the country?—I have no doubt the number of rupees which would be necessary would always be large, and nothing like the whole amount could come in. But there seems reason to believe that uncoined silver is beginning to be used in the bazaars.

11,228. We have had it suggested to us that not more than the equivalent of 15,000,000*l.* sterling could come in?—I cannot imagine that. If you open the mint and undertake to give gold for rupees at 1*s.* 4*d.*, I think you would find a great deal more than that—double or treble that, and perhaps even more.

11,229. The suggestion was that, if more than the amount which I have suggested were presented, there would not be enough silver in the country for the requirements of the people?—I should have thought it might have been much more than that, but it would depend very much upon what the production of silver in the world was.

11,230. I do not see, if silver is a token coinage necessary for the use of the people, and the mints are not to be open to silver, how the production of silver in the world affects that question?—But the mints are to be opened to gold.

11,231. Yes, but not to silver. Would that affect the question of the necessity of small change?—It is possible you might have a circulation of gold in India which might replace, to a very considerable extent, the present circulating medium. If you tell me that is impossible, then it would follow that a gold currency is impossible in India.

11,232. Do you mean that gold might take the place of rupees for circulation purposes, or for hoarding purposes?—For circulation purposes, if you include the balances held in the banks and by merchants and so on. I have no doubt that a large amount of silver circulation would always remain in India. I have rather gone from the beginning on the assumption, on the authority of the Indian Government, that it would not be safe to offer to give gold for silver.

11,233. I was wondering whether you had any idea how much could come out of the pockets of the people, and yet trade go on?—I do not think the total circulation of the country is likely to be much reduced beyond what it is at present, nor, on the other hand, to be suddenly increased, so that, if you are going to issue any large amount of gold, then I think you must be prepared to sell the corresponding amount of silver, or nearly so.

The witness withdrew.

Mr. H. Bois.

Mr. HENRY BOIS called and examined.

11,234. (*Chairman.*) You are a member of a Ceylon firm?—I am a member of the firm of J. M. Robertson & Co., of Colombo. I was formerly a member of the Legislative Council of Ceylon, and Chairman of the Chamber of Commerce of Ceylon.

11,235. How many years did you reside in Ceylon?—Off and on for nearly 40 years. It is 40 years since I first went there.

11,236. You are familiar by personal experience with the trade of Ceylon during that time?—I am.

11,237. And I suppose especially with reference to the development of the tea trade?—Yes.

11,238. Have you read the evidence that Mr. Christie gave before us?—I have.

11,239. Will you tell us generally where you concur and where you disagree with him?—I concur with him as to his statistics, and where his evidence relates to questions of fact. I do not altogether concur in his opinions or in the remedy which he suggests.

11,240. Now will you tell us where you do not concur in his opinions; on what point will that be?—There is one particular point in which he was asked what would happen if the value of silver were to go down to 6*d.* an ounce. This is at question 4573: "(*Q.*) "Even if silver went down to 6*d.* an ounce?—(*A.*) "Even if silver went down to 6*d.* an ounce, or if it "went up half as much again." I do not agree with that answer for this reason; while I consider that the appreciation of gold relatively to silver has, so far as it has gone, been an advantage to India and to Ceylon, and, while I do not think that there is any probability of its appreciating to a point at which it would cease to be an advantage, I still admit the possibility of the rupee becoming depreciated, not only relatively to gold as at present, but also relatively to food, labour, and commodities generally. In that case the advantage at present enjoyed by India and Ceylon from a low exchange would be lost.

11,241. That is your opinion?—That is my opinion.

11,242. Now is there any other point on which you differ from him?—There is no other particular point.

11,243. You do not agree with him as to his proposed remedy. I think he recommended the re-opening of the mints, concurrently with the imposition of an import duty on silver and a seignorage. Where do you differ from him on that point?—I differ from him in this: I think that, whether you pay an import duty on silver or a seignorage at the mint or a land tax, or artificially raise the rupee, or put on an export duty, eventually the deficit is paid out of exports; and, if so, I think it is preferable to put a

direct duty on the exports, rather than raise the money in the other ways that I have described.

11,244. Even where the subject of the export duty is an article in which there is competition with some other country?—Yes, because it already pays it, and it pays it in much larger proportion. The effect of raising the rupee has been this, that the Indian Government have practically taxed all the exports, valued at about £66,000,000, to the extent of 3*d.* in the rupee—taking the relative exchanges at 1*s.* 4*d.* and 1*s.* 1*d.*—in order that they may recoup themselves to the extent of 3*d.* in the rupee on £16,000,000.

11,245. That is not an answer to my question. Let me take the article tea. The Indian tea grower is in competition with China in the London market. Suppose an export duty was levied on the tea exported from India, and no export duty was levied on the China tea, what would be the position of the two teas in the London market?—I would say that any tax handicaps production.

11,246. But an export duty stands out by itself, and I want to deal with that?—An export duty I consider would be a much less onerous burden than the tea grower now pays by having a fictitious rupee.

11,247. But who would pay the export duty?—The producer.

11,248. Do you contend that, supposing the price of tea were raised in the London market 4*d.* a pound in consequence of an export duty, the duty would not be paid by the purchaser in London?—I say the prices in London are regulated by supply and demand, without any direct relation to the cost of production. Eventually the cost of production tells, when it affects the supplies. Take a concrete case, at the present moment tea is costing in Ceylon to produce very much more than it did before the closing of the mints, but the price of tea has not gone up in London; it has fallen, simply because the production has increased, and it follows the ordinary laws of supply and demand.

11,249. How do you apply that to the price of tea before the rate fell?—The production was not so great.

11,250. Then it is purely a question of production?—I say it is a question of supply and demand. The prices are regulated by the supplies, not by the cost of production.

11,251. Therefore, if the Chancellor of the Exchequer were to propose to put an additional 6*d.* in the lb. on tea, the price, in your opinion, would not be raised in every grocer's shop the next morning?—Certainly, it would.

11,252. Why—because it would have nothing to do with the cost of production?—Because an import duty would apply not only to the production from Ceylon, but to the production from all other parts of the world wherever tea is produced.

11,253. But the consumer would pay that increased cost of production?—He would pay an import duty. I admit that the cost of production eventually tells.

11,254. However, you think an export duty would be preferable to the present state of things?—I do.

11,255. (*Sir J. Muir.*) I should like you, in your own way, to give us your views, expressing as clearly and concisely as you can the effect of the 1*s.* 4*d.* rate upon the trade of Ceylon?—The effect of the 1*s.* 4*d.* rate upon the trade of Ceylon has been to considerably raise the cost of production. By itself that perhaps would not have been a very serious item, but, as the rise in exchange has been concurrent with the gradual fall in prices, it does form a very important factor. Speaking generally, I would say that a rise of 1*d.* in the rupee is about equivalent to a fall in the price of from $\frac{1}{3}d.$ to $\frac{1}{2}d.$, and amounts, on the average, to about 1 to 1½ per cent. tax on the ordinary share capital of the companies engaged in the enterprise. It has fallen most heavily upon the estates producing a low quality of tea, the margin of profit on which was not so great as on tea fetching higher prices. In the case of the tea selling at 10*d.* a pound and costing 5*d.* to produce, and taking exchange at 1*s.* 4*d.* as compared with 1*s.* 1*d.*, the exchange makes a difference of $1\frac{7}{8}d.$ per pound, all of which comes out of the profit of 5*d.*, and is equivalent to a difference of 38 per cent. of the profit. On the other hand, taking a tea selling at 6*d.* and costing 4*d.* to produce, the difference of 3*d.* in the rupee is equal to $1\frac{1}{8}d.$ per pound, equivalent to a difference of 56 per cent. of the profit.

11,256. The tea companies in Ceylon have recently been issuing their last season's reports, and in most of them I see special reference to that exchange—the difference between the rate that might have been expected under ordinary circumstances, apart from the 1*s.* 4*d.* fixed by the Government—as the main cause of the decrease in their dividends; is that so?—That is so in some cases; and in all cases it has made a difference; amounting, as I have stated, as a rule from 1 to 1½ per cent. in the dividend.

11,257. One of your main factors in the cost of producing tea is the wage that you have to pay to the coolies?—Yes.

11,258. As a rule, in Ceylon, how many coolies do you require, say, for an estate of 100 acres of tea?—It varies; but, in round figures, I would say one man to an acre

11,259. What would the wage be? What proportion of your expenditure is affected by the exchange? Of the cost of laying down in London, how much is affected by the exchange?—In the case of companies established on a rupee basis in Ceylon, or of estate proprietors resident in Ceylon, or of shareholders in sterling companies resident in Ceylon, the difference in exchange applies to the whole net sterling selling price of the tea. In the case of companies established on a sterling basis in London, or of proprietors resident in London, or of shareholders in rupee companies resident in London, the difference of exchange attaches to the cost of production of the tea. In some cases it applies to the whole sterling selling price; in others only to the cost of production.

11,260. You say that the loss in exchange made by the Indian Government was not an actual loss to the country at large?—No, as I have stated in my memorandum, "It was a matter of account, and arose in "the process of setting off the sterling debt due by the "Government against the sterling trade debt due to "the Indian people. This being so, the true policy of "the Government would appear to have been to meet "the Government loss by such additional taxation as "would in its incidence have fallen upon those who "made the corresponding profit; that is to say, the "growers and producers of all Indian exports sent "for sale in gold countries." Inasmuch as the loss in exchange made by the Indian Government was made upon the Council bills which were purchased as remittances for the balance of trade, I say that, taking the country altogether, there was neither loss nor profit; but the exporter of produce made the gain in exchange which the Government lost; and therefore, I think a tax which in its incidence would fall upon him would be a fair one. "If it be true that the limits of direct "taxation in India had been reached, the statement "does not appear to hold good as regards indirect "taxation. Customs duties form a very small pro-"portion of the revenue raised in India, and export "duties would have been a tax, correct in its incidence, "easy to collect, and one that could have been varied "according to circumstances, any further fall in the "exchange value of the rupee, and consequent "increased gain to the producer, being met *pari* "*passu* by an increased export duty, to compensate "for the increased loss sustained by the Government." It appears to me that, if the exports pay eventually, the simplest course is to put a direct duty on exports, to make up the amount required by the Government. The effect of putting up the rupee was this: the Indian producer, taking the rates at 1*s.* 4*d.* and 1*s.* 1*d.*, lost 3*d.* in the rupee on 66 millions. On the other hand, the Government gained 3*d.* in the rupee on 16

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millions; there were 10 millions of bullion, and there were 40 millions of imports. Now, if all the imports had been consumed by the producer of exports, no doubt it would have been a very important set-off to the loss he made; but the 3*d.* gain upon the imports, I think, is divided in this way: part of it goes to the producer of the imports (to Lancashire we will say, in respect of cotton goods), and the rest to the consumer of the imports. The producer of the exports, however, is not altogether the consumer of the imports; therefore, what forms a set-off to his loss is only, perhaps, one-third of the imports, which may be 15 millions, against the 66 millions on which he loses.

11,261. You have been how many years connected with Ceylon?—This is my fortieth year.

11,262. Then you were there during the great period of prosperity in coffee?—I was.

11,263. You saw the ruin that came on the island when the leaf disease spoilt the trade?—Yes.

11,264. Tea came in, and has enabled the island to regain the prosperity that it lost by the leaf disease in coffee?—Yes.

11,265. Am I correct in assuming that the cost of the Government of Ceylon is supplied mainly by the tea industry?—To a very large extent. The best proof of it is that, when the coffee industry failed, the revenues of Ceylon went down to 12 million rupees. The last budget estimate, which came to hand a few days ago, shows a revenue of 25 million rupees. That is to a very large extent due to the tea enterprise.

11,266. If the action of the Government of India in fixing this 1*s.* 4*d.* rate should make the trade of Ceylon unremunerative, that is to say, if the tenancies of tea estates were to follow, to some extent, the coffee, what effect would that have on the revenue of Ceylon?—It would at once fall off. Of course, there are a great many items of revenue in Ceylon, but the chief are import duty on grain, excise, and railways, all of which would depend to a very large extent on the tea enterprise.

11,267. What proportion, would you say, of the revenue of Ceylon is derived from the tea industry?—That is a very difficult question to answer. I am not prepared, without going into statistics, to name a figure.

11,268. But it is a large proportion?—Oh, a large proportion.

11,269. Are there any points to which you would specially desire to direct our attention in your memorandum which is before us?—In paragraph 2, I say: "Apparently it was assumed that the fall in "the exchange value of the rupee was an evil "calling for remedy, whereas, taking India as a "whole, and not separating the Government from "the people, that fall was probably a substantial "benefit." I should like to call the attention of the Committee to the action that is proposed to be taken by the Argentine Government at the present moment; not that I for one moment defend their proposed action, any more than I do that of the Indian Government. But, whereas the Indian Government have artificially raised the value of the currency relatively to gold, assuming, I suppose, that the depreciation, relatively to gold, was a disadvantage, the Argentine Government at the present moment are seeking to artificially depreciate the value of the currency, relatively to gold, believing that the depreciation was an advantage to the country. The gold premium in Argentina, I think, was at one time as much as 250; it has now sunk to 127, and the Government propose to fix the gold premium at 150.

11,270. (*Sir C. Crosthwaite.*) You do not think that is a good thing?—No; I think it is just as wrong as the action of the Indian Government. I think any interference with the currency is a mistake.

11,271. A depreciating currency is a good thing?—No, I do not say that, necessarily. I do not admit that the Indian currency has depreciated. It has depreciated relatively to gold.

11,272. (*Sir J. Muir.*) What other points in your memorandum do you desire to call our attention to?—"Great importance appears to be attached by the "Indian Government to stability of exchange as an "inducement to the English capitalist to invest "money in India, but fixity of exchange *per se* is not "an essential factor in the question. The determining "consideration in every case is, whether the money "sent out can be returned without loss. If the "exchange value of the rupee is low, approximating "to its bullion value, the risk of loss from a still "lower rate is small, and is counterbalanced by the "possibility of a rise and corresponding profit. On "the other hand, a high rate of exchange, if unfixed, "no doubt acts as a deterrent; because the English "investor runs the risk of serious loss in returning "his money to England. Probably, the inducement "offered to the English investor by an unfixed low "exchange, and a fixed high exchange, are about "equal." In connexion with that, I really am arguing from personal experience, and I take it that my own experience is a fairly typical case. As I have already stated, I have been engaged in business in Ceylon for a very long period. I have also been largely interested in agriculture, and, in a very moderate way, I am also an English capitalist. As a merchant and trader, I do not consider that the rise in exchange, or the fluctuations in exchange, affect me materially. Merchants' combinations generally extend over a very short period, and allowance can be made for the rate of exchange as it exists at the time. As one interested in agricultural enterprises, the rise in the exchange has been, undoubtedly, a loss. It seems to me to be a mere question of arithmetic. I will put it in this way: If you pay for the cost of production in silver, and sell your produce for gold, and if the cost of production in silver and the selling price in gold both remain constant, any appreciation of gold, the metal in which you sell, relatively to silver, the metal in which you produce, must *pro tanto* be a gain, and the contrary must be a loss.

11,273. Assuming the rupee prices and sterling prices to remain the same?—Yes. As a small capitalist, the effect of the rise in exchange has been to make me, personally, withdraw all the money I could from Ceylon, and I expect that that has been the experience of other and larger capitalists. Those are the three points on which I wished particularly to speak.

11,274. Now, the rate that the Government have fixed is 1*s.* 4*d.* Supposing the mints had not been closed, but that exchange had been allowed to fix itself automatically, what do you fancy might have been the rate of exchange to-day?—I think the rate of exchange to-day might have been about 1*s.* 1*d.*—for this reason. The lowest rate of exchange in any one year during the last 15 years was in 1895-6, when it fell to 1*s.* $1\frac{1}{10}$*d.*, the lowest point during the year being 1*s.* 0$\frac{1}{2}$*d.* At that time the price of silver was 27*d.*; the price to-day is, I think, nearly 28*d.* I think further that with open mints the demand for silver would be greater, and that the price would, to some extent, rule high. I therefore see no reason why with open mints the rate of exchange should fall lower than the lowest point that it has hitherto touched. There is a further point I should like to make in connexion with that, which I may put forward as a reason why I think the price of silver would increase if the mints were opened; and that is, that the production of gold relatively to silver is increasing. Last year the total world's output was 47$\frac{1}{2}$ millions of gold, against 40 millions in the year before, and 23 millions eight years ago. That shows an increase on the one year of 17$\frac{1}{2}$ per cent. The production of silver last year was 183,000,000 ounces as against 167,000,000 ounces the year before, showing an increase on the year of only 10 per cent.

11,275. (*Sir A. Dent.*) Where do you get your figures?—I think I took them from the "Statist," which paper printed them from the "American Bureau."

11,276. (*Sir J. Muir.*) Now, I would like the Committee to have a grasp of the grievances of the tea planters of India and Ceylon arising out of this difference of 3*d.* per rupee between 1*s.* 1*d.* and 1*s.* 4*d.* I have got before me the figures of an agency house in Calcutta and in Colombo. They represent large estates both in India and in Ceylon, much larger in India than in Ceylon. They employed last year 92,700 coolies between India and Ceylon, the larger proportion being in India. They paid in wages Rs. 55,62,000. Now I would like you to tell the Committee what difference will arise to the companies managed by that firm between 1*s.* 1*d.* and 1*s.* 4*d.*?—Twenty per cent.

11,277. That would represent in sterling, how much money? This is a case which I know absolutely about, and it is a big case, but it shows what the effect will be on the other concerns which perhaps have smaller interests?—It would be 70,000*l.*

11,278. Then, if other companies, who perhaps have smaller concerns to manage, suffer an equivalent difference, we can understand of course why a good deal has been said by the tea planters of Ceylon and India. Now, I think that the Government of India at one time said that a sound system of currency must be automatic or self-regulating?—Yes and that expresses exactly my own opinion. I will read an extract from a letter from the Government of India to the Bengal Chamber of Commerce, dated February 1877:—"A sound system of currency must be automatic "or self-regulating. No civilised government can "undertake to determine from time to time by how "much the legal tender currency should be increased "or decreased; nor would it be justified in leaving "the community without a fixed metallic standard of "value, even for a short time." In connection with that, I may point out that the currency of India at the present moment is not automatic or self-regulating. The Government does seek to determine by how much the legal tender currency shall be increased or decreased, and it has left the community without a fixed metallic standard of value, not only for a short time, but ever since the closing of the mints in 1893.

11,279. Then you disapproved, I understand, of the closing of the mints?—I did.

11,280. What is your view now; would you propose to reopen the mints?—I would reopen the mints. It appears to me that there are only two sound courses open to the Government. One is to have silver as the standard and reopen the mints to the coinage of silver, the other is to establish gold as the standard and make the rupee a token coin.

11,281. If the Government find difficulty in reopening the mints at once, which I understand you view as a desirable thing if it could be accomplished, is there any intermediate course that you could suggest?—Although I am strongly of opinion that the soundest policy is to reopen the mints and revert to the *status quo*, I think it is quite possible for the Indian Government to establish a gold standard in India; and, provided that the rupee were fixed as a token coin at about 1*s.* 2*d.*, I think that such a scheme would be a fairly reasonable and satisfactory alternative.

11,282. That is to say, 1*d.* higher than you think would be the rate if the mints had never been closed?—Yes.

11,283. You think 1*s.* 1*d.* should be the rate?—Yes.

11,284. But you think that a solution that might be accepted would be 1*s.* 2*d.*?—Yes.

11,285. Would that be acceptable to the Ceylon planters, do you think?—I am only expressing my own opinion, but I think, so far as Ceylon is concerned, the crux of the question is the high value given to the rupee, and, if the value were fixed at about 1*s.* 2*d.*, I think that would be accepted in Ceylon as a fairly satisfactory solution to the question at issue.

11,286. Are there any further points you would like to put before the Committee?—The only point I should like to be examined upon is in connection with a gold standard for India.

11,287. We should like to hear your views fully on that point?—This is a short memorandum which I have prepared, and which fully explains my views. I hope you will understand that, in putting forward this scheme, I do so with extreme diffidence; in fact, I did not propose to put it in unless I had been asked about it:—

"1. A gold currency is not suited to the circumstances of the people of India and Ceylon, and it appears neither necessary nor advisable that, even with a gold standard, gold should go largely into circulation.

"2. To *encourage* in any measure the conversion of 150 crores of rupee and note currency would, in all probability, involve the absorption of so large an amount of gold as to make the scheme practically prohibitory.

"3. The object should apparently be to *discourage* the actual conversion, and under a gold standard to maintain the rupee as a token coin as the chief currency of the country.

"4. But, whatever scheme be adopted, I am strongly of opinion that the value of the rupee should be fixed at not higher than about 1*s.* 2*d.*, instead of at 1*s.* 4*d.* *Theoretically*, of course, there is no reason why a coin intrinsically worth only 10*d.* should not be made to pass as a token coin at 1*s.* 4*d.*, as well as at 1*s.* 2*d.*; but there is a very general opinion amongst producers and traders that *practically* 1*s.* 4*d.* has proved too high, and that the failure of the Government policy inaugurated in 1893 is to some extent due to this over-valuation. It is believed that the various interests involved would accommodate themselves to a rupee at 1*s.* 2*d.*, when they will not to a rupee at 1*s.* 4*d.*, and, unquestionably, the lower valuation would tend to the much smoother working of any scheme that may be adopted. The nearer the token value of the rupee approaches to its bullion value, the less temptation there is to convert it, or to illicit coinage, and the less it handicaps the producer in competing with other countries.

"5. Such a scheme would establish a sound standard on a minimum of gold. It would result in a stable rate of exchange, encouraging, to some extent, the introduction of English capital, and, consequently, cheaper money, while arresting the efflux of capital from India; but would only partially redress the injustice felt by those natives who have converted rupees into bullion and may wish to reconvert it, and only lessen, not entirely remove, the temptation to illicit coinage.

"6. That which I would propose is as follows:—

- "1st. A gold standard to be declared in India and Ceylon, the sovereign to be the unit.
- "2nd. The rupee to be a token coin minted on Government account, and issued according to requirements at the ratio of 17 to the £ sterling, or 1*s.* $2\frac{2}{17}$*d.* per rupee; rupees to be a legal tender to the extent of 80 rupees.
- "3rd. Concurrently therewith, Government sterling notes on a gold basis to be issued for 5*l.* and upwards, as required, at the equivalent of 17 rupees per £ sterling.
- "4th. The existing rupee currency notes for all amounts over Rs. 50 to be called in and redeemed—
  - "(*a.*) By payment in rupees out of the silver reserve held against them.
  - "(*b.*) By the issue in their place of sterling notes for 5*l.* and upwards, at the rate of 1*l.* to 17 rupees. After a given date the rupee notes from Rs. 50 and under, left in circulation, to be legal tender to the amount of Rs. 80 only.
- "5th. The issue of notes and rupees in Ceylon to be in the hands of the Colonial Government, the coin being supplied by the Indian mints at bullion value plus mintage.

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"7. The effect of this would, I believe, be to establish a gold standard with practically a silver and note currency, the latter on a gold basis for all sums over the amount fixed as a legal tender for silver. The Governments in India and Ceylon would have to hold a gold reserve against the sterling notes in proportion to the issue, but the amount of this reserve would probably not be so large as to be prohibitory, while the cost of obtaining it would be met by:—

"(*a.*) The profit on the sterling note issue.

"(*b.*) The profit on the mintage and issue as required of rupees as token coins on Government account.

"8. Under the foregoing scheme bar silver cannot be exchanged for rupees except at 1*s.* $2\frac{2}{17}d.$, and rupees cannot be exchanged for gold, but, inasmuch as they can be exchanged for notes, and notes for gold, the question arises as to the extent to which gold might be absorbed for hoarding purposes.

"9. If the currency of gold were *encouraged*, and sovereigns were brought prominently under the notice of the natives, they might very possibly be hoarded in detail to some extent; but under the foregoing scheme the native would probably rarely see gold, and the temptation to hoard it would be somewhat less than it is at present. If he really wants sovereigns he can, at the present moment, buy them at the rate of about 1*s.* 4*d.* to the rupee; and, seeing that in existing circumstances the rupee is a coin of unstable value at 1*s.* 4*d.*, there is more reason why he should convert it into gold than there would be if it became a coin of stable value at 1*s.* $2\frac{2}{17}d.$ As regards hoarding on a large scale, the same argument applies. The holder of a large quantity of silver can purchase sterling drafts on England at about 1*s.* 4*d.*, and import the equivalent gold coin for hoarding purposes. He can do it with a rupee that may at any time fall in value, and the temptation to so convert it is certainly greater than it would be if he knew that he could at any time get notes for his rupees and gold for his notes at the rate of 1*s.* $2\frac{2}{17}d.$

"10. On the whole, therefore, I think that absorption of gold for hoarding purposes would not take place to any great extent, but it is, of course, a factor of uncertain value, and only experience can determine its importance."

The previous witness, Sir John Lubbock, was asked to state the amount of gold that he thought would be required to establish a gold standard in India. He admitted that the currency of the country must remain the rupee to a very great extent, but he seemed to apprehend that the rupees would be exchanged for gold, to a very large extent; he mentioned 100,000,000*l.*, I think. I cannot, myself, see what inducement anyone would have to convert rupees into gold greater than the inducement there is at present, and my own belief is that the amount required to establish a gold standard in India would be very small. I look at it in this way: the amount of silver currency at present is estimated at 120 crores; the note currency at 24 crores. The only displacement of rupees or rupee notes would be, I think, to form a legal tender for all amounts over 80 rupees. I would maintain the rupee as a legal tender to the extent of 80 rupees, but for amounts over that the legal tender would be gold. Then the question arises: out of this 140 crores of rupees and currency notes, what proportion would be displaced in order to form that legal tender? I think, at a liberal estimate, it would not exceed 45 crores, if so much. Then, say you have to issue Government notes for 45 crores to form the legal tender, for which silver would not be a legal tender, what reserve would you have to hold against the sterling notes? I do not see why it should be any larger than it is in England. Under the Bank Act of 1844 it was found that out of £20,000,000 of notes in circulation, there never, at any time, had been less than £16,000,000, and it was assumed that in no possible circumstances could the amount fall below £14,000,000. It was, therefore, decided that the reserve to be held against them, in gold, should be the difference between the £14,000,000 and the £20,000,000, about one-third. If that holds good for India, the amount of gold reserve to be held against Rx. 45,000,000 of notes would be about Rx. 15,000,000, which corresponds with the estimate that has been put in, I think, by previous witnesses.

11,288. Is there anything else you would like to say to us?—No, I think that is all.

11,289. (*Sir A. Dent.*) In your statement about the proposals for a new currency system in India, are you leaving the existing rupee in circulation, or do you propose to coin a new rupee?—I should simply make the existing rupee a token coin.

11,290. The proposal of the Government is very much the same, but at a different rate of exchange?—The Government have practically converted a standard coin into a token coin. I do not think that the position can be regularised without declaring a gold standard and making the rupee a token coin.

11,291. Is not that rather the ultimate intention of the Government, if they carry through their proposals?—Of course, as I have said, I think the crux of that question is the rate at which the rupee is fixed; I think that a gold standard would work satisfactorily, if the rupee were not fixed at a price which practically handicaps all the exports of India. Why I think there is no difficulty in having a gold standard and a silver currency, is that it existed for a very long time in Ceylon. Up to the year 1871 the denomination of account was pounds, shillings, and pence, and all transactions took place in pounds, shillings, and pence, but the only coin that was ever seen in Ceylon, and was actually current, was the Indian rupee.

11,292. There has been occasionally some discussion as to the real permanent injury that has been done to the Indian and Ceylon tea estates by the closing of the mints, and the fixing of 1*s.* 4*d.* exchange. You have heard remarks also made, I suppose, that in some ways the 1*s.* 4*d.* has been rather a blessing than otherwise in checking production. Will you give us your views on that?—I think that the rise in exchange has tended to restrict the opening of land, and, in so far as there was a danger of over-production, I think that rise may have been a small benefit.

11,293. If it had not been for a check of that sort, it is suggested that some years hence there would have been a very serious calamity, owing to the excessive production?—I think that too much importance can be attached to the rise in exchange. It is only a factor in the question. There has also been a fall in prices, which has been much more important than the rise in exchange. It is the combination of the two that has proved so disastrous, and any fall in exchange would, of course, be *pro tanto* a relief, in the same way that a rise in prices would be.

11,294. The fall in prices has been brought about, has it not, entirely by the increased production?—Yes, I should say so.

11,295. And, if that production is checked, the price will go up again, will it not? The consumption is going on pretty regularly?—Yes; as I said in my answer to the Chairman, I consider that prices depend altogether on supply and demand in the place where the produce is sold, until a fall in prices checks production.

11,296. You suggest that the mints might be reopened under certain conditions, and a duty imposed, which you put at 5 per cent. Do you think 5 per cent. additional duty would meet the requirements of the Indian Government?—I do. To begin with, out of the 16,000,000*l.* of remittances made by the Indian Government, or I think now it is 17,500,000*l.*, fully one-half is in connexion with the commercial undertakings of the Indian Government—railways—and I consider that the loss of exchange on that amount is simply an item of expenditure attaching to the railways.

11,297. Have you considered how that 17,000,000*l.* is made up?—About 8,000,000*l.* of it is in connexion with railways and remunerative works.

11,298. You must study that rather closely, I think, before you can give any opinion upon it?—I was

basing it, I think, on a speech of Sir Henry Fowler's in the House of Commons, in which he said that about half of that 16,000,000*l.* was in connexion with Indian railways.

11,299. I have had an opportunity of studying it, and I know that it is an amount that cannot be reduced in any way except by buying things in India instead of England. You would pay less sterling, but then you would have to pay more rupees in India, so that it would come to the same thing?—I think, as regards that portion of the sterling debt, the obvious way of raising the revenue is to raise the railway rates in respect of which that charge is incurred. However, I admit that ultimately the Indian Government must get it one way or other.

11,300. These things have to be got, and, whether they are bought in England or in India, the cost must come into the budget?—That is so, no doubt.

11,301. The revenue of Ceylon has not suffered yet, has it?—The Ceylon Government revenue has not suffered yet, nor will it suffer until estates are worked at a loss; so long as they go on at all, the revenues will remain the same.

11,302. There is some fear, is there not, in Ceylon that, unless something is done, some estates will have to be closed?—It is estimated that, if exchange were to go up 1*d.* or 1½*d.* in the rupee, or the price of tea to go down ¾*d.* or 1*d.* per pound, estates now producing 30,000,000 lbs. of tea would go out of cultivation. In that case, of course, the Government revenue would be affected.

11,303. (*Mr. Campbell.*) What proportion would that be; that would be a third of the total?—About a fourth.

11,304. I think you admit that there might be certain advantages in a gold standard as compared with a silver standard?—I do.

11,305. That it would give stability to exchange, which a silver standard with open mints does not give?—I think the question of exchange must always come in. If you establish a gold standard, it would give stability to exchange.

11,306. Of course, from merely having heard you read your scheme, I do not feel in a position to go fully into its details, but among other things you say you think 80 rupees ought to be the limit of legal tender for the rupee?—I fixed that because it is the highest amount of rupees under a 5*l.* note which I propose the Government of India shall issue.

11,307. But I suppose you will admit that, for many years to come, rupees will have to be the real circulating medium thoughout the country?—I would only make it the legal tender for that, but I believe it would be used for the payment of larger amounts as it is at present.

11,308. If that is so, is it wise to restrict it to 80 rupees?—I do not see how you can have a gold standard and a silver rupee legal tender for all amounts. I think it must be a token coin.

11,309. Take the case of France. There the standard is gold; the mints are shut to silver, but both gold and silver, or either of them, are legal tender to any extent?—That is so; but in that case it ceases to be an automatic currency; it is in the hands of Government. They can only then issue silver as they think the circumstances require it.

11,310. But it does not seem to have led to any inconvenience in France all these years. They are getting on very well under that system, are they not?—I cannot say that I know very much about the economy of France; but, as far as India is concerned, I think it must either be a gold standard or a silver standard. I do not see how you can have the two standards.

11,311. Would it not be apt to lead to very serious complications, if, while rupees were the real circulating medium, the law made them legal tender only to the extent of 80 rupees; might not that lead to serious difficulties between debtor and creditor?—I do not think so, because I should make the rupees convertible.

11,312. Then you talk about the issue of about Rx. 45,000,000 in currency notes?—That is my estimate.

11,313. How would you get these notes into circulation?—By exchanging them for existing notes and also for rupees.

11,314. But existing notes only circulate practically in the neighbourhood of the large Presidency towns. The natives do not take notes in the interior at all. You would not force these notes on the natives?—No. I would simply issue them as required. I would explain that after a certain date rupees would be a legal tender only to the extent of 80 rupees, but that they would be exchanged for sterling notes at the rate of 17 rupees to the £ sterling.

11,315. You would issue the sterling notes in exchange for rupees?—Yes.

11,316. And undertake to repay them in gold?—Yes.

11,317. How would you find the gold?—I do not think it would ever be demanded.

11,318. You would trust to its not being demanded?—Yes; I would simply hold a gold reserve to the extent of one-third; yon would already hold a silver reserve against them, but I would hold a reserve in just the same proportion as they do with Bank of England notes.

11,319. Would you not be afraid of the risk of a breakdown, supposing you did not get your notes into circulation to any larger extent than notes circulated now, and still made 80 rupees the legal tender limit for silver coin?—You would have to fix a certain date up to which you would exchange sterling notes for rupee notes. After that, the demand for notes would be according to the requirements of the internal trade. Anyone could get them at the rate of 17 rupees to the £ sterling.

11,320. (*Mr. Le Marchant.*) How would those notes be exchangeable up-country? Would there be any great facility for obtaining rupees by any holder who wished to make small payments?—Only in the same way that in England now a holder of a 5*l.* note would get change. He would get it in the bazaar. I very much doubt whether they would reach the interior to any extent, because they would be only required as legal tender for amounts over 80 rupees.

11,321. And that would tend to limit their circulation to within the neighbourhood of banking centres?—Exactly. What it would really come to is this: there would be a rupee currency, and a sterling note currency on a gold basis. I do not think gold would ever get into circulation at all. It would be just the same as the case of Canada. With the Government at the back of the note, I do not think any native, unless he wanted to hoard, would exchange it at all; the note is quite as convenient to him as the sovereigns. When the Ceylon Government guaranteed the notes of the Oriental Bank Corporation, the natives did not hasten to convert them.

11,322. Take the instance you have mentioned in Ceylon; the notes were already familiar to the community?—That is so.

11,323. Here it would be the introduction to a certain extent of a newer form of currency?—Yes, but I think they would only replace rupees where they were required in payment of a large debt.

11,324. And where they might be a new convenience?—Yes.

11,325. You were speaking just now of the Argentine Government: have you heard that there is any official proposal to prevent the premium on gold from falling below a certain figure?—My information was derived from, I think, the "Statist." They wrote strongly deprecating it, and gave the text of the proposal, which was to fix the gold premium at 150.

11,326. In speaking of the possible fall of exchange, I think you were speaking of 1*s.* 1*d.* or thereabouts, as having been a rate that had prevailed three years since?—Yes, 1895–6.

Mr. H. Bois.
1 Dec. 1898.

11,327. And connecting that, if I understood you rightly, with a price of silver?—Yes.

11,328. The price of silver that would coincide with a rate of 1*s.* 1*d.* if the mints were open is, I think, nearly 34*d.* That, so far as it might be required as a basis for the value of the rupee, would be a material rise above the present price of siiver?—Yes, but there has always been a difference between the bullion value of the rupee and the exchange value of the rupee.

11,329. You were alluding to a loss of about 3*d.* in the rupee, I think you said, on the whole volume of exports?—Yes.

11,330. If one person pays that, does another receive it? Is it a transfer?—It is, to a very great extent.

11,331. Let me put my question in this way. If the Indian producer sells his sterling bills drawn against produce, under the conditions suggested, he receives fewer rupees in the proportion you were mentioning; the purchaser of that bill buys his sterling exchange for exactly the same proportion less?—Yes, but I explained what the set-off was. I took a profit and loss account. On the one side there is 3*d.* in the rupee on the whole exports, which amount to 66 millions. Then, as you ask, on the other side, who gets the gain? The Government get the gain as to 16 millions. There is gold and silver to an extent of 10 millions; who gets the gain on that, it is rather difficult to see. I should like to say something about that, and to draw the attention of the Committee to the exports of silver during the last few years. At the time of the closing of the mints, the exports of silver to India were about 15 crores. In the three following years it fell to 8 and 7 crores. Last year it went up to 13 crores. Seeing that the mints are closed, the question arises what becomes of that silver. It seems to me to point to one of three things; either hoards of rupees have been released and bar silver substituted, or illicit coinage is going on to a very considerable extent, or—and possibly all of these combined—bar silver is being imported into India on the chance of making a profit, possibly in connexion with this Currency Committee.

11,332. (*Mr. Campbell.*) One point you have omitted, I think, is that a very large proportion of these exports of silver into India are merely meant for coinage of the British trade dollar?—However, that was only by the way. I pointed out, as regards the 16 millions, that the Government got the benefit. There was 10 millions of silver bullion which also forms a set-off, and then there are the imports of 40 millions.

11,333. (*Mr. Le Marchant.*) I do not know that I quite follow about the silver bullion; do you mean that there is an additional import?—No; the exports amount to 66 millions; on the other side, you have imports 40 millions, the bullion 10 millions, and Council bills 16 millions, making up the 66,000,000.

11,334. Then would you say that, owing to the rise in the sterling value of the rupee, India is able to import more silver?—No, but it pays less for its imports; that is the set-off. The loss on one side and the gain on the other side is the lower price paid for the imports. If the exports exactly balanced the imports, and the price of imports fell in exact proportion to the rise in exchange, there would be no loss either way, it would be balanced.

11,335. Is it not the case that, taking it within the boundaries of India itself, there might be a considerable transfer of profit from one set of persons to another, owing to the fact of such a difference in exchange as you are mentioning?—I think the exchange only comes in in transactions with foreign countries. Internally I consider the rupee is what it always has been. It passes at much the same value. I do not think that in any internal transactions any question of exchange comes in.

11,336. Then you would limit it to the effect on imports, whatever they may be?—Yes.

11,337. And, apart from that, interests within India are not affected?—No.

The witness withdrew.

Adjourned.

TWENTY-FIFTH DAY.

Tuesday, 10th January 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

[*For the evidence of Sir Robert Giffen, K.C.B. on this day, see page 93 above.*]

MR. HORACE SEYMOUR, C.B., called and examined.

Mr. H. Seymour, C.B.
10 Jan. 1899.

11,338. (*Chairman.*) You are the deputy-master of the Royal Mint?—Yes.

11,339. How long have you occupied that position? About four and a half years.

11,340. Can you tell the Committee what was the law as regards the metallic currency in England up to the year 1774?—Silver was originally the sole standard of value in England, but by degrees gold was gradually introduced, and was accepted, not by law, but by custom, side by side with silver.

11,341. Was gold a legal tender?—It was accepted—it circulated side by side with silver.

11,342. That was up to the year 1774?—Up to the year 1774.

11,343. What were the causes which led to the currency legislation of 1774?—The real reason was that the gold coin which had become in practice the standard measure of value—silver having been driven out—had become very much reduced in weight owing to diminution by clipping and wear, and the exchanges

were in consequence adversely affected. The attention of Parliament was accordingly called to the matter, and the result was a complete reformation of the gold coinage. That was in 1774.

11,344. Did the standard alter?—No, the standard remained the same.

11,345. I suppose they fixed the silver price of the guinea?—That was in 1717. The guinea was issued originally in the time of Charles II. as a twenty shilling piece, but it never circulated as a twenty shilling piece. It began at 21*s.*, and gradually, owing to the faulty condition of the silver coinage went up to 30*s.* In the time of William III., in 1695, it was reduced to 26*s.*, and then to 22*s.*, but that had no practical effect. The gold was still over-rated, and in 1717 the Government of the day took the advice of Sir Isaac Newton, and he recommended that the guinea, which had been circulating at 21*s.* 6*d.*, should be rated at 21*s.*, and that was carried out by Proclamation.

11,346. The guinea had at one time circulated for a great deal more than 21*s.*?—That was in 1695, when it was reduced by Act of Parliament, first to 26*s.*, and then to 22*s.* Even that reduction was not enough, and in 1717, as I have mentioned, the silver in circulation being either worn or base, and gold being still overrated, the Government asked for the opinion of Sir Isaac Newton, and he went into the matter and compared the rates of silver in Europe and in the East, and he recommended that the guinea should be valued at 21*s.*

11,347. The legislation of 1717 was really restoring the currency to its proper value?—Yes. Then in 1774 a very important Act was passed. The gold coin was all called in and re-coined, and was in future to be circulated by weight. Before that, gold had been circulated by tale only, and Parliament now introduced a new principle by which there was a fixed least current weight, below which the coin should not circulate. That was the first important principle which was then established. If the guinea fell more than a grain below its issuing weight, it ceased to become legal tender. That was so far as regards gold. Then, with regard to silver, the coinage was in an extremely bad condition, very much worn, a great part had been imported from abroad, and an Act was passed to prohibit the importation of light silver into the kingdom at all. Further than that, a new principle altogether, which had never been adopted before in the currency of this country was introduced, and that was this. Parliament fixed a limit to the tender of silver. Hitherto, silver coin had always been unlimited in tender, but in 1774 they fixed a limit of 25*l.* to its tender. Debts beyond that amount were to be paid in silver by weight at 5*s.* 2*d.* per ounce.

11,348. Weight of silver?—By weight of silver. It was taken by tale up to 25*l.*, and over that amount any debt was to be paid by weight. Of course, the coinage being in such a very depreciated state, it was not worth a man's while to take advantage of the provision, because, supposing shillings to have been deficient to the extent of 20 per cent. of their original weight, a moderate estimate, it would have cost him something like 125*l.* to pay a 100*l.* debt. So that, although that Act was passed, and a very important principle was introduced, it really had no effect.

11,349. The next great step in the currency history of this country was Lord Liverpool's scheme in 1805?—Lord Liverpool's letter to the King, which is very well known, and has often been quoted, was really a report which he had drawn up in 1798 for the Privy Council Committee, which was appointed to enquire into the state of the coinage. He laid down a great many principles, and for some reason or other, which I am not quite clear about, the Committee did not then adopt his report. Afterwards he worked it up, and addressed it as a letter to the King. The chief principles advanced by him were three. The first was that coins which were to be the principal measure of property and instruments of commerce, should be made of one metal only; hitherto there had been two circulating. Then he drew the conclusion that gold was the best for that purpose. Of course, there was a difference of opinion on the point, but he argued that gold was the best metal to select as the sole standard of value. The third principle he laid down was that silver and copper were to be subordinate and subservient, and merely representative coins, and that where the function of gold ceased that of silver should commence, and that where the function of silver ceased copper should step in. He chose originally the guinea as the limit where silver should step in; he thought that above that sum silver should not be legal tender, and he took the shilling as the point where copper was to play its part. Those three different points were the foundation of the legislation of 1816, which is practically what we are working under now. They were adopted by the Committee on Coinage; they were reported to the House, who drew up resolutions founded on them, upon which the Act of 1816 was brought in. It was very slightly modified. Parliament adopted two guineas instead of one guinea as the limit of tender of silver, and that was subsequently reduced to 2*l.* Those are the principal points of Lord Liverpool's recommendations.

11,350. Since 1816 we have worked in this country on a monometallic system, gold being the standard metal, and the silver coinage and the copper coinage being purely subsidiary?—That is so. I may mention that in the Act of 1816, with regard to silver, there was a change made. Hitherto, out of the pound of silver 62 shillings had been cut. By the legislation of 1816 it was decided to cut 66*s.* shillings out of the pound, and four of those were to be retained as brassage and seignorage to pay the expenses of the Mint.

11,351. That was out of the pound of silver?—Out of the pound of standard silver. That would be 5*s.* 6*d.* per ounce, which is the present rate.

11,352. Out of a pound of silver there were to be how many shillings?—Sixty-six, instead of 62 as the number had been hitherto. It was proposed to retain four out of the 66, and only to return the same number as before, 62, to the person who brought the silver to the Mint; but that proposal has never been acted upon. It was to be carried out by proclamation. No proclamation was ever issued, and the result is that now we cut 66 shillings to the pound, and people cannot bring silver to the Mint at all. The proposal to retain 4*s.* out of every 66 was made under the idea that the Mint was to be open to silver.

11,353. How is the value of the shilling fixed now?—It was fixed by the Proclamation of the 1st of March 1817.

11,354. That is what you are working under now?—We are working under the Act of 1816, as re-enacted by the Coinage Act of 1870; but the particular provision to retain 4*s.* never became operative. Under the Act of 1816 silver could be brought to the Mint, subject to the proclamation of the terms under which it could be so brought. Anybody could bring it; but, as the proclamation was never issued, the provision remained inoperative, and silver is now issued at sixty-six shillings to the pound of standard silver; but it is not issued except on payment of gold.

11,355. I want you to tell us when that was done, because, up to that time, anybody bringing silver to the Mint could get it coined?—Not quite; not up to 1816, because in 1798 they stopped the free coinage of silver altogether.

11,356. The English Mint was "closed to silver" in 1798?—Yes.

11,357. That would be under an Act of Parliament?—Yes.

11,358. What was the Act?—38 Geo. III. c. 59.

11,359. And since 1798 the English Mint has never been opened to silver?—It has never been opened since to free coinage.

11,360. The only free coinage now at the Mint is gold?—Yes.

Mr. H. Seymour, C.B.

10 Jan. 1899.

11,361. You are obliged to coin gold?—Under certain conditions, yes.

11,362. And you are not obliged to coin silver?—No.

11,363. Who regulates your coinage of silver; is it the Bank of England?—As far as England and Wales are concerned, the Bank of England apply to us when silver is wanted; they tell us what denominations they want, and how much of each denomination, and then they pay us, or make a transfer to our credit for it, in gold.

11,364. You buy the silver; they do not bring silver to you?—No, we buy our silver.

11,365. The Bank of England says, in other words, "We are prepared to buy from you a million's worth of silver," for which they pay you in gold?—Or credit, yes.

11,366. Do you supply anybody else but the Bank of England?—There are certain banks in Scotland who agree among themselves what they want, and come to us through the Bank of Scotland; and we supply them in a similar way, and the Bank of Ireland also.

11,367. But no bank in England can come to you except the Bank of England?—As a matter of practice, that is the arrangement that has been made as far as silver generally is concerned. Threepenny pieces rest on a different footing, anybody can come for threepenny pieces, that is only a minor detail.

11,368. (*Sir F. Mowatt.*) Even there you exercise your own discretion?—The Chancellor of the Exchequer, who is *ex officio* Master of the Mint, is responsible that there should not be an over-issue, and, if necessary, he could always refuse to supply silver even if it was asked for. There is no right of demanding silver.

11,369. (*Chairman.*) What I want to get at is this: the Chancellor of the Exchequer, who represents the Government, ultimately regulates the amount of silver which is in circulation; he could stop it?—He could, if the occasion arose; but it has not arisen.

11,370. But he has the power to stop it. Suppose the Bank of England were to ask for an amount of silver coinage which the Chancellor of the Exchequer was of opinion was not wanted, has the Chancellor of the Exchequer power to refuse the Bank of England?—Oh yes, there is no obligation on the Mint to issue.

11,371. To issue to anybody?—To anybody, as far as silver is concerned. I am talking of silver.

11,372. Your arrangement with the Bank of England is a purely conventional one?—Yes it is.

11,373. There is no statutory authority at all?—No, not with regard to that arrangement.

11,374. There is no obligation on the Bank of England to come to you, and there is no obligation on you to entertain the Bank of England's application?—No, it is a matter of convenience.

11,375. (*Sir D. Barbour.*) The Bank of England makes no profit out of the silver that it gets from the Mint; the profit goes to the Government?—The profit goes to the Government.

11,376. The Bank makes no profit out of it in that way?—Not that I am aware of. We make them a payment to cover the cost of carriage; whether they get any profit out of that I cannot tell.

11,377. (*Chairman.*) The Bank brings you a gold sovereign, and you give them twenty shillings, although those twenty shillings may have cost you under 9*s.*?—That is so.

11,378. (*Sir D. Barbour.*) Then, if the Bank took from you more silver than is required by the country, that would remain on the hands of the Bank, and would be so much of their capital lying idle?—It would remain on the hands of the Bank, yes.

11,379. Therefore, those two things are a guarantee that the Bank will not ask for more silver than the country really requires?—I think you may take that view.

11,380. (*Chairman.*) Is British silver coined anywhere else than at the Royal Mint?—No.

11,381. Gold is coined at other mints?—Gold is coined at the branches of the Mint at Sydney and Melbourne.

11,382. Anywhere else?—Well, Perth in Western Australia is going to open a mint presently, it has not begun to coin yet.

11,383. Now, will you tell us what is your estimate of the active circulation of gold and silver and copper coins in the United Kingdom at the present time?—We estimate that the total active circulation is now 68,000,000*l.*

11,384. That is gold?—Gold. That is at the rate of 1*l.* 15*s.* 10*d.* per head of the population. Silver is estimated at 23,000,000*l.*, which gives 11*s.* 5*d.* per head of population. Bronze is estimated at 2,000,000*l.*, which gives 1*s.* per head of population. As to gold, the estimate is fairly accurate; we have had opportunities which have enabled us to arrive at a fairly accurate estimate. The silver and bronze are rather wider estimates; you cannot trust them quite so implicitly.

11,385. On what principle have you calculated the silver that is in circulation?—The calculation is based upon an inquiry conducted in 1891 by Mr. J. B. Martin, who went into the matter at the suggestion of the Institute of Bankers, and he made a calculation from various investigations which he made through the banking community, and from the Customs returns, and arrived at an estimate, which was generally accepted. We have merely built on to that by the withdrawals and issues since then.

11,386. What do you call withdrawals?—Withdrawals of worn silver out of circulation. Every year a certain amount of worn silver is withdrawn and sent in by the Bank of England for re-coinage.

11,387. Light silver?—Worn silver; it is not technically light silver, there being no least current weights prescribed.

11,388. You can tell, I suppose, how much silver you have coined, say, in the last 30 years?—Yes.

11,389. The calculation is per head of the population of the United Kingdom?—On the estimated population of the United Kingdom at the present time.

11,390. You include in your 68 millions all the gold coins which have been coined in Australia?—No, we include the number of coins from Australia which are circulated in this country. We arrived at the conclusion after the investigation we made in 1895, that 40 per cent. of the sovereign circulation was in Australian coins.

11,391. (*Mr. Campbell.*) As much as 40 per cent.?—Yes, that was the result of the examination we made in that year.

11,392. That is four out of every 10 in circulation?—Yes.

11,393. (*Chairman.*) How many have you assumed to be in circulation in Australia? Of course you have allowed for a certain quantity being in circulation in Australia?—This estimate is entirely irrespective of Australia. It refers only to the circulation in the United Kingdom. I really cannot tell you what the circulation in Australia is; that is a separate matter altogether. All I say is that now the active circulation, in this country, including coins of Australian production, is estimated at 68,000,000*l.*

11,394. But I want to test that, or to get at some valid reason for taking it as accurate. First of all, there is the import of gold in bullion into this country; then there is the gold that is coined at the Mints; then there is the export of gold from this country for many purposes throughout the world. Now, have you any record to show how much of the gold exported is sent out in coin and how much in bullion; is there any record?—The Customs keep a record, and could furnish you, probably, with a return of the amount of bullion and the amount of coin exported and imported, but I cannot say what it is.

11,395. Perhaps it would not be a very reliable guide if we had it, would it?—I would rather not say anything about its being reliable or not.

11,396. It would be, of course, reliable as to the facts of the case, but I mean it would not be a reliable guide on which to base a theory?—No.

11,397. It would not give you any reliable evidence as to the amount of coin in circulation?—No.

11,398. Then we take it as your opinion, arrived at from other sources, that there are from 60 to 70 millions of gold coin in circulation in the United Kingdom only?—In the United Kingdom only.

11,399. Now let us have the exact proportion of the gold coinage to the silver coinage. The silver coinage is a third of what the gold coinage is, is it not?—About that.

11,400. What is the bronze?—The bronze is two millions.

11,401. Then the whole of the coinage of this country would be 93 millions?—Yes; that is in nominal value.

11,402. I mean its value as coin?—Yes.

11,403. And silver is over 23 per cent. of that?—About 25.

11,404. Is the amount of silver that is coined annually pretty uniform, or does it fluctuate very much?—The last 10 years it has averaged from 756,578*l.* at the lowest to 2,224,926*l.* at the highest.

11,405. (*Sir D. Barbour.*) Is that the new coinage?—The new coinage.

11,406. Not allowing for withdrawals?—It is the nominal value of the issue of new coin manufactured from silver bullion and worn coin taken together.

11,407. (*Chairman.*) Does that include the Colonies?—Yes, it would include the Colonies—you mean, of course, the sterling-using Colonies—but the coinage does not represent the amount actually issued in a given year, it may be more or less.

11,408. That, of course, would vary, but what I want to get at is this. Is all the silver coinage which our Colonies have, in Africa and the West Indies and elsewhere—is all that included in that total?—Yes.

11,409. (*Mr. Holland.*) Which was the lowest year and which was the highest?—I took 10 years. I gave you the highest and the lowest figures during those 10 years.

11,410. (*Chairman.*) Which was the highest?—I have taken the figures between 1888 and 1897. The lowest was in 1888 and the highest in 1889.

11,411. Is there any other mode of regulating a token coinage adopted in other countries?—In some countries they have adopted the plan of limiting the token coinage to so much per head of the population. In the Latin Union, which embraces, as you know, France, Italy, Greece, Switzerland and Belgium, they originally limited it to six francs per head, and it was increased in 1897; but their rule is that they can only issue so much per head. In Russia they adopt the same system. They have a limit of coinage of three roubles per head, which they cannot exceed, but in both cases they combine also with that the plan which is adopted in other countries, of having a limit of tender as well as a limit of supply.

11,412. (*Mr. Hambro.*) Does that apply to the five-franc piece in France?—The five-franc piece is unlimited tender in France.

11,413. (*Mr. Campbell.*) But you cannot send silver into the French Mint to be coined?—No, they have stopped unlimited coinage. I think practically all the countries that were formerly bi-metallic have limited the coinage of silver now.

11,414. (*Chairman.*) But you said that the five-franc piece is unlimited tender in France, did you not?—By law.

11,415. Many regard it as a token coin, but it is an unlimited tender for the payment of any debt?—It is a token coin so far as its coinage is restricted, and its intrinsic value is less than its nominal value.

11,416. (*Sir F. Mowatt.*) You did not give us, I think, the proportion per head of the token coinage in the Latin Union?—In 1865 it was limited to 6 francs per head, the legal tender limit being fixed at 50 francs, but the limit per head was increased to 7 francs in 1897.

11,417. That is not including five-franc pieces; you only mean subsidiary coinage?—I refer entirely to subsidiary coinage, 2 francs and under.

11,418. (*Mr. Hambro.*) But I regard the five-franc piece as a subsidiary coinage?—I understood Sir Francis Mowatt to refer only to the avowedly subsidiary coinage, which was originally limited in the Latin Union to six francs per head. As regards the five-franc piece, it is no longer struck; they do not coin five-franc pieces any more at present—they have such an enormous stock of them—but they are unlimited tender.

11,419. (*Chairman.*) But nobody can take silver and have it turned into five-franc pieces?—No.

11,420. (*Sir J. Muir.*) Have you any idea of the number of these five-franc pieces in circulation in France?—M. de Foville, who is the head of the French Mint, and is a recognised authority on this subject, estimated the value of five-franc pieces in France at 1,935 million francs; that will give you, divided by five, the number of pieces.

11,421. (*Chairman.*) A great portion of that is in the Bank of France, is it not?—I believe it is about forty millions sterling.

11,422. What I want to know is whether the number that you have given there includes the number that are in the vaults of the Bank of France?—It includes that. It is "existing stock in the country."

11,423. (*Mr. Hambro.*) In France alone?—In France alone.

11,424. (*Chairman.*) Do you see any reason why, if the total coinage of tokens be restricted, there need be any limit to the amount to which such tokens can be admitted as legal tender?—I feel some diffidence in answering this question, because it is rather outside the questions of fact, but I think, as far as I can judge, that, provided your restriction is adequate, and that at the same time the Government maintains a sufficient amount in circulation for the purposes of trade, there is no reason why there should be any limit of legal tender.

11,425. (*Sir F. Mowatt.*) Your restriction of issue?—I mean your restriction of issue. As I understand, the value of your token is maintained by a restriction of coinage, and, if your restriction is sufficient to enable you to keep up that value, I do not see any reason why there need be any limit on the amount of tender.

11,426. But do you say that the value of the token depends on the restriction of the issue?—I understand that the value of the rupee depends upon its restriction of issue.

11,427. If a rupee is taken at 15 to the £, how does it affect the value of the rupee whether there are more or less of them?—I understand that the value of the rupee was in great part raised by closing the Mints and thus limiting its issue.

11,428. (*Chairman.*) That is your argument?—That is what I understand.

11,429. (*Mr. Hambro.*) Is not silver in England sometimes sold at a discount, or, at all events, bronze?—I cannot answer that question.

11,430. (*Chairman.*) Now, what have you to tell us about illicit coinage in this country? Let me put my question in this form. The intrinsic value of a shilling is now very different from its nominal value. Has that led to a large amount of illicit coinage?—The fall in the value of silver has had no effect in the sense of increasing illicit coinage in this country. In this country the counterfeit coins have been, and are still, very much of the same nature: they are run in moulds, they are of base metal, and silver does not enter into their composition at all. As far as I am aware, there has been only one case—a recent case—out of all the cases that have been taken up by the police, where the coin had silver in its composition at all, or where it approached to anything like the standard. All the rest of the cases have been the same as they have been for many years past, but there is very much less false coinage now than

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there was a few years ago. Cases fluctuate in number from time to time, because false coinage in this country is very much in the hands of the same people. They are sentenced to imprisonment for three or five years, or whatever the period may be, and cases decrease. They come out, and false coinage becomes active again. In 1860 there were 887 persons charged with illicit coinage, of whom there were 438 convicted. In 1870 there were 517 persons charged, of whom 278 were convicted. In 1890 there were 169 persons charged, of whom 95 were convicted. In 1897 there were 148 persons charged, of whom 96 were convicted. So that in nearly 40 years the persons charged have fallen from 887 to 148, and the convictions have fallen from 438 to 96. That is for the whole of the Kingdom.

11,431. (*Sir F. Mowatt.*) That does not include passing bad coinage, does it?—That includes all offences against the Currency Acts.

11,432. Including passing?—Including passing, uttering, and all other offences.

11,433. (*Chairman.*) And that diminished rate has gone on, notwithstanding that there is now, and for the last 10 years has been, a very great profit if they had used standard silver of full weight?—Just so.

11,434. (*Sir J. Muir.*) These are all cases of base metal?—I believe so, except the one case in 1898, when there was an attempt to coin silver.

11,435. (*Chairman.*) That was a case where they put in more silver?—It was not up to standard. In the evidence the counterfeit coins were said to be "about 885 fine."

11,436. (*Sir F. Mowatt.*) You have described to us the process by which additional silver is from time to time issued. I will just go over it again. The Banks of England, Scotland, and Ireland apply to the Mint, and recommend the issue of additional silver; they do that on the ground that the existing stock of silver in circulation is not large enough for the trade of the country; I suppose that is the main ground?—They practically feel the pulse of the three Kingdoms, and come to us when they find that it is getting low—when the supply is insufficient for the wants of the community.

11,437. And it is on that ground that the Mint complies with the application and issues new silver?—Yes.

11,438. That issue is very profitable to the Mint?—Yes.

11,439. But is not profitable at all to the Bank?—No.

11,440. Therefore, the party who makes no profit out of it has to start the application, and the party that makes a profit out of it only complies with that application?—Yes.

11,441. The profit-making process cannot originate with the Mint; it originates with the banks, who have no interest in it?—Just so. Of course, it is in the interest of bankers to meet their customers' wants.

11,442. Now, do you think it undesirable that the authorities who apply to the Mint and move them to issue additional silver, should have any interest in the seignorage or brassage on the issue of that coinage?—I do not see what claim they have to it at all.

11,443. But do you say that it is an essential part of such an arrangement that the authority that moves the Mint to issue additional silver should have no personal interest—no interest of profit in that issue?—Certainly, because very likely it would lead to an over-issue.

11,444. I will take you on to that. Assuming that the banks had any share in the seignorage or brassage on the issue of silver, would it be to their interest to apply for a large addition to the silver coinage?—They would be under an inducement to do so.

11,445. It would operate in that direction?—Yes.

11,446. (*Mr. Hambro.*) It would only be to their advantage to do so if they could get it into circulation?—Certainly.

11,447. (*Sir F. Mowatt.*) The Master of the Mint, in such a case, would have to make a closer examination as to the necessities of trade than he does at present?—Yes. If the profit was to go outside the State, the State would have to look much more closely after the requisitions made to it for more coinage.

11,448. And that, if carried to any extent, might lead to something like friction between the Mint on the one side and the banks applying for additional silver on the other. I do not say it would lead to it, but it would operate in that direction?—It might, yes.

11,449. (*Sir D. Barbour.*) I think you said that the old legal standard of England was silver?—Yes, originally.

11,450. You are aware, no doubt, that gold coins also circulated as well as the silver coins?—By degrees, yes.

11,451. For a very long time?—Yes.

11,452. And the ratio between the gold coins and the silver coins was fixed by the Government?—Yes, it was fixed by a Proclamation, I think.

11,453. (*Sir F. Mowatt.*) From time to time?—From time to time; the rate varied.

11,454. (*Sir D. Barbour.*) Then, in the time of William III., the silver coins had fallen into a very bad state?—They had.

11,455. And then they were recalled, and good coins were issued?—Yes.

11,456. Now, you will recollect that at that time the guinea went up to a very high rate?—Yes, I have referred to that already.

11,457. It went as high as nearly 30*s.*?—It went up to 30*s.*

11,458. And was gradually reduced by the Government by proclamation?—In the first instance by legislation.

11,459. And afterwards by proclamation; but the guinea was still over-valued as compared with the market price of gold?—It was.

11,460. The result of that was that the silver coins were exported and gold circulated in England?—Yes.

11,461. And that is how we came to have a gold currency, although the legal standard was silver?—That is so.

11,462. That is how it came about?—That is how it came about in the main.

11,463. Now, you said that there had been one case of false coining in fairly good silver in this country, and in that case the coins were made by a die?—Yes.

11,464. They were stamped; they were not cast?—They were not cast.

11,465. Have you seen any of those coins?—They were seen by the gentleman who went up to give evidence from the Mint.

11,466. Would it be easy to distinguish them from the genuine legal coins?—I think, to the ordinary person, they would be difficult to detect; an expert in coinage might have looked at one of these coins with suspicion, but the ordinary person would have accepted it, and, as a matter of fact, a certain number of these coins went into circulation.

11,467. (*Sir. J. Muir.*) Have you any idea how many went into circulation?—I cannot tell you that exactly.

11,468. Would it be large?—Probably something over 20*l.* in nominal value.

11,469. (*Sir A. Dent.*) As to your estimate of gold in circulation, 68 millions; is that what is estimated to be in the people's pockets, or does it include also the amount of sovereigns in the Bank of England and other banks?—We take the *active* gold circulation in the country at about 68 millions. Including Bank reserves, the whole amount may be 95 millions. The figures I first gave you were entirely for active circulation. They were calculated for the purpose of ascertaining the amount of repair the coinage required.

11,470. My point is that, for the purposes of this inquiry, and, I think, for ordinary commercial pur-

poses, no distinction can be drawn between a sovereign that is in my pocket and a sovereign that is in the vaults of the Bank of England; both are in circulation?—Oh, yes, in that sense.

11,471. I want the amount of gold coinage which there is outside the Mint in this country?—Our estimate is 95,000,000*l.*

11,472. (*Sir J. Muir.*) You say it would be upwards of 90 millions?—95 millions.

11,473. (*Sir A. Dent.*) If you include the bullion in the Bank, it would be, perhaps, nearer 120 millions?—I am not responsible for bullion; that I cannot say anything about.

11,474. (*Mr. Hambro.*) In the amount of silver that you say you coin every year, do you include the worn silver that you have?—It includes all our issue, whether from re-coinage or from bullion.

14,475. (*Mr. Le Marchant.*) Are there any estimates of the relative volumes of gold and silver currency in 1798 as compared with the present day?—Lord Liverpool estimated the silver currency in circulation at 3,960,000*l.*, and the gold at 30,000,000*l.* as a maximum.

11,476. With regard to the issue of silver coinage, do you observe that it varies with the course of trade? If the manufacturing trade is busy and wages high, do you observe a greater demand?—Yes, I should say that, when trade is active and there is more wage-paying, there is a larger demand for silver.

11,477. Possibly that demand may not come so directly to the Mint if the Bank of England has accumulated silver returned to it from circulation; it may thus have a store which would meet occasional demands to some extent?—I imagine that the Bank of England always has a store of silver, they sometimes have more than they want.

11,478. Would you take it that the banking machinery in England is so far perfect that a redundancy of silver coins flows back quickly through the banks to the Bank of England?—At certain seasons of the year I should say so, but it is rather a question for the Bank of England. I should say that after Christmas, for instance, when there is generally a large issue of new silver, by the end of January or thereabouts, the Bank of England would probably have a great deal of the Christmas issue flowing back to it. But you can get that from the Bank.

11,479. The question never arises of the Mint being asked to take silver back?—No, except worn silver; but there is no obligation on the Mint to take that back. That is done without legal obligation, in order to keep up, you may say, the reputation of the coinage.

11,480. (*Mr. Holland.*) In view of the increased profit which the Chancellor of the Exchequer now derives from the increased circulation of the silver coinage because of the present price of silver, I should like to ask you whether any attempt has at any time been made to stimulate the circulation of silver?—I do not think the Chancellor of the Exchequer gets any increased profits through an increased circulation of silver resulting from the low price.

11,481. But the Mint derives an increased profit, and that benefits the Chancellor of the Exchequer?—Not, I think, from increased circulation owing to the low price, but from increased profit on the low price of silver, combined with increased circulation due to well-known causes.

11,482. Of course, if the price of silver is low, that would be another factor of the increased profit, but you are not aware of any stimulus having been applied to increase the circulation?—No, I am not.

11,483. I suppose it is the Government who bear the loss on worn silver?—Yes.

11,484. Have you any evidence of the unpopularity of large silver coins in this country?—I have heard individuals say that they do not like the five-shilling piece very much.

11,485. And they refuse to take it?—There is no legal power to refuse it.

11,486. But they avoid taking it?—I think some people do, but that is a matter of individual taste.

11,487. Do you think illicit coinage can be detected with certainty, when silver is used?—I cannot speak from experience in this country, because we have had, practically, no cases of it. We have had no experience of it, so I can hardly answer that.

11,488. The use of pure silver would be likely to increase the difficulty of detection?—That in itself would not be sufficient. There are many other points to be taken into consideration besides the metal of which the coin is made.

11,489. If the difficulty of detection were increased by the use of pure silver, is it not conceivable that the reduction in the number of convictions might have arisen from that cause—because of the increased difficulty of detection?—I should say that the decreased number of convictions had nothing to do with the use of silver at all, because we have had hardly any case where standard silver is used. The cases which the police have under their eye are cases of base metal. We have no reason to suppose that there is any amount of coinage in circulation which is composed of standard silver at all. There have been a great many stories in the papers as to silver coins being made abroad, and being imported into this country. The police have made enquiries, especially at the ports where they were supposed to have come in, and have been quite unable to trace anything of the kind.

11,490. You gave us some instances of the fluctuations in the issue of silver coins, the lowest being in 1889, and the highest in 1888?—1889 was the first year that the Government undertook to pay the carriage of silver; that was one reason why there was an unusually large amount sent out.

11,491. You told us that, in your opinion, if the supply of silver coins should be restricted, there would be no difficulty in silver coinage being unlimited tender. If you restrict the supply, you may give unlimited tender to token coinage?—I said I thought there was no reason, according to the question put to me, why, if the silver token coinage was carefully restricted, it should not be unlimited tender.

11,492. Then, are we right in accepting it as your opinion that, in the case of token coinage, some limitation is necessary, either in the supply of coins on the one hand, or in the limit of tender on the other, and that either would effect the same object?—Yes. I should say you must have a restriction, otherwise you would come back to the old bi-metallic system.

11,493. (*Mr. Hambro.*) Do you always coin as many 10*s.* pieces as are asked for? Are you bound to coin 10*s.* pieces?—It is not stated in the Act that we should do so—the Act says "Where any person brings "to the Mint any gold bullion, such bullion shall be "assayed and coined, and delivered out to such "person without any charge," &c.; it does not specify either sovereigns or half-sovereigns; but, as a matter of fact, we are generally rather shy of supplying half sovereigns if we can avoid it, because they are so much more expensive to keep in repair; they wear so soon.

11,494. It is not with the object of making more silver coins?—Oh, no, that has never come into consideration when the Bank has asked us for half-sovereigns.

11,495. (*Mr. Holland.*) In the abstract of your proposed evidence which was circulated to us, I find this: "Conditions under which sovereign are coined else-"where than at the Royal Mints in London." I am not aware that you have told us what are the conditions under which sovereigns are coined in the Australian Mints?—The conditions are somewhat different. Here the Mint is open to gold free of all charge whatever. In the Australian Mints they have charges for coining, for assay, and refining charges. There are other differences between them and ourselves. They are not allowed to make their own dies. All the dies are made in this country. When worn out, we supply fresh ones.

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11,496. So that the conditions for the coinage of gold are more favourable to the public here than in Australia?—Yes.

11,497. And notwithstanding that, you say that 40 per cent. of the sovereigns in circulation here were coined at the Australian Mints?—Yes.

11,498. (*Mr. Campbell.*) With regard to the quantity of silver coined in the 10 years, the average of the two figures that you gave would be one and a half millions annually?—Yes.

11,499. May we take it that that is about the average?—I should say it is rather above the average. I should think it would be nearer one million than one and a half millions. The average of the 10 years I have mentioned is 1,189,000*l.*

11,500. Then that includes coinage for Colonial use?—Yes.

11,501. Have you any record of how much of that represents coinage for the Colonies?—We publish every year a statement of the amount that goes to the Colonies. I can put that in, if you like.

11,502. I should like the amount coined for actual use in the United Kingdom, separate from the Colonies?—I can easily give it you. You want me to confine it to the United Kingdom, and to leave out the Colonies altogether.

11,503. Or you can tell us how much of that amount is for the Colonies, and we can make the calculation for ourselves?—The figure that I gave just now of 1,189,000*l.* as the average *coined* for the 10 years does not quite correspond with the average amount *issued*, which was 1,192,000*l.*, and of this 287,000*l.* a year went to the Colonies.

11,504. That leaves about 900,000*l.* a year for the United Kingdom?—Yes.

11,505. Now, as regards the difficulty of detecting illicit coins made of silver, could they not be detected by analysis?—Undoubtedly. You can assay the coin and ascertain the composition of it; and supposing it was made with a proportion of silver, you would tell that proportion by assay.

11,506. Not only that, but, before coining, does not the Mint put silver through some process to eliminate certain impurities in it?—We simply buy our silver in the market and add the alloy to it. We buy it fine.

11,507. (*Sir F. Mowatt.*) Is your alloy any secret?—No.

11,508. But is it known what it is? The people making the illicit coinage would know the alloy with which to mix their silver?—Undoubtedly.

11,509. (*Mr. Campbell.*) The reason I asked was, that some of these cases of illicit coinage in India were said to have been detected by analysis, showing the presence of zinc in the coins, the inference being that the Bombay Mint took some step before coining to eliminate the zinc. I am told that the reason of eliminating the zinc is that the presence of zinc makes the silver more brittle and apt to crack. Is that so?—Quite true.

11,510. The process of coining illicit money out of silver would be a very expensive one, would it not—the apparatus would be very expensive?—Certainly; a press is a very expensive article.

11,511. There is not only that, but there is the making of the dies?—Also the making of the dies. You want a good engraver—in fact, in this country it is probably a difficult thing to get a good engraver, because a good engraver would not be inclined to enter upon illicit practices of this sort; in any case you would have to pay him a good deal.

11,512. And, as there is such expense and difficulty attending it, you would not expect to see much illicit coinage made of standard silver?—No; I think those considerations stand in the way of it a great deal. Of course, if you use steam machinery, it makes a good deal of noise; the action of the machine in stamping the coin makes a great noise. This also deters persons from setting up a press.

11,513. Now, the Government is not under legal obligation to convert silver back into gold?—No.

11,514. Silver is legal tender to the extent of forty shillings?—Yes.

11,515. But the Government is in no way bound to give gold in exchange for it?—Certainly not.

11,516. (*Sir F. Mowatt.*) And never does?—No, except in the case of worn coin withdrawn from circulation in bulk.

11,517. (*Sir J. Muir.*) Suppose that standard silver such as you use were used by coiners, how would you discover that the coins were illicit?—As I say, we have had no experience of it, so I cannot very well answer; but it is certain that in the form of the coin and the way that the dies are made, and so on, it will differ from the true coin.

11,518. You might be able to do it; but over the country generally, the Banks of England, Scotland, and Ireland, how are they to discover whether it is illicit or not, if it is the same standard as your metal?—I think an expert would find a flaw somewhere, in the milling, for instance. I do not say for a moment that the public might not be taken in, but I do not think that experts would, either at the Bank or at the Mint.

11,519. You were to give us some information about "countries which still retain silver mono-"metallism or open their mints to both gold and "silver." What are the countries to which you refer as retaining silver?—There are a few countries now on a silver basis, but these are not of the first importance.

11,520. You refer to countries that open their mints to both gold and silver. Which are those?—There are no bi-metallic countries which open their mints to gold and silver; as far as I am aware, the only country which has its mints open to gold and silver is Mexico, but that is a monometallic country.

11,521. That is the only one you know?—That is the only one I am aware of at the present moment.

11,522. (*Sir D. Barbour.*) Did I understand you to say, in answer to Mr. Holland, that in the case of subsidiary coinage it would be sufficient either to restrict the supply or to limit the amount of its legal tender?—I said that, as far as you had a real restriction on your issue, I thought that would be sufficient.

11,523. But you did not say that, not restricting the issue, but limiting the amount of legal tender, would be sufficient?—I did not understand that I was asked that question.

11,524. (*Mr. Holland.*) I put it to you that it was an alternative form of limitation?—There are several forms of limitation. The limit of tender is one; the limit of issue is another; and so on.

11,525. (*Sir D. Barbour.*) But what I wish to ask you is this:—is not the limitation of supply the essential limitation?—I should say so.

11,526. If the supply was unlimited, limiting the tender would only produce very great confusion?

(*Chairman.*) It would cease to be a token coinage if the mintage was unlimited.

(*Sir D. Barbour.*) It would, but with a complication?—If you limit the issue, it seems to me that you take an important step towards constituting a token coinage.

11,527. That I do not object to, but do you say that, without limiting the supply, a mere limitation of the amount of legal tender would be sufficient?—Oh, no; I did not say that.

[The witness withdrew.]

Adjourned.

TWENTY-SIXTH DAY.

Wednesday, 11th January, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Mr. ROBERT BARCLAY called and examined.

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11,528. (*Sir F. Mowatt.*) You are, I believe, the senior partner of Messrs. Robert Barclay & Co., of Manchester, and of Messrs. Barclay, Mackintosh & Co., of Buenos Ayres and Monte Video?—I am.

11,529. Besides River Plate business, your Manchester firm also does a large business with India?—Yes. I may add that I resided in Buenos Ayres for 13 years.

11,530. Have you been resident in India at all?—Only as a visitor.

11,531. But you have conducted, or been intimately acquainted with, the business of your Manchester firm with India?—Yes; for the last 20 years.

11,532. You have also been, I think, for 15 years, a Director of the Manchester Chamber of Commerce, and you are at present its President?—Yes.

11,533. The main object of your appearance before us to-day is to support the resolution of the Manchester Chamber of Commerce which Sir F. Forbes Adam has already put before us?—That is my main purpose.

11,534. That resolution it may be as well to read:—"That it is neither possible nor expedient to "establish a gold standard with a gold currency in "India, under the peculiar financial relations and "economic circumstances of the Dependency; and "that, in the opinion of the Chamber, it would be "well, in the interests of India, to adopt the principle "that the mints should be re-opened to the coinage of "silver, the time and conditions to be hereafter deter-"mined." Now, you say in your Memorandum that you object to the scheme of the Government of India, or any similar scheme, for giving India a gold standard without a gold currency. Is that quite an accurate description of the proposal of the Government of India? As I understand it, it did contemplate a gold currency. In paragraph 21 of their Despatch of the 3rd March, 1898, the Government of India say: "When we have "reached the stage in question, the sovereign will be "a recognised coin of the Empire—in use in its chief "cities, at least; and, as long as this condition can "be maintained, the exchange will be stable at about "16*d.*" I think the plan of the Indian Government contemplates that, by the removal of a certain amount of silver coinage, gold coinage would take its place?—I do not believe it would.

11,535. But it is only fair to the Indian Government to say that what you were just putting was not quite their theory. Now, will you tell us your reasons?—I object to the Government scheme, or any similar scheme, for giving India a gold standard without a gold currency. I object also to any scheme which would contemplate both a gold standard and a gold currency, because I think it would be absolutely impossible to carry it out.

11,536. Perhaps I may ask you at this point to indicate what you consider the main difficulties which would render that impossible?—In all trade with or between the natives even a few miles (Mr. Ralli said 20 miles) from the Presidency, nothing but silver rupees would be of any avail. It might be said that in time the natives would accept gold, but we have to remember the prejudices of the native, with his long traditional experiences of silver money. Even if the cost and other difficulties could be overcome, it would be in no sense a currency available or suitable for India as a whole. The Government scheme and the Lindsay scheme seem to me to be purely artificial, and exposed to many varying circumstances that might lead to their breakdown.

11,537. It would be convenient to ask you to indicate the leading circumstances which you consider might lead to a breakdown of the Lindsay scheme?—Without complete convertibility of the silver rupees into gold, there would be no assurance that the Government could maintain exchange at 1*s.* 4*d.* With liability to complete conversion, the burden upon the Indian Government would be enormous, and a concentration of demands for conversion, such as might arise at a time when there were small exports from India (from famine or other cause), plus a desire to withdraw capital from India, plus stringency in the European money markets, would cause a breakdown. The Government scheme assumes (par. 23, Despatch of 3rd March 1898) that India will always have, at least, such a volume of exports in favour of India as will pay for her imports, for interest on capital invested in India (that I believe is estimated at some 7,000,000*l.*), and the Government's home requirements of 17,000,000*l.* to 18,000,000*l.* If the great body of practical commercial experience is right, as witnessed before this Committee, (and I agree with it), I believe this assumption is too sanguine, for India will be handicapped in her industries with China and all silver-using countries. I would add that in recent years the exchange rates have been greatly helped by fresh gold borrowings on the part of the Government. Also by some fresh investment of capital which has taken the form (1) of exports of silver to India, part of which, at least, has been used for monetary purposes; (2) of leaving accumulated profits in India.

11,538. Would you explain that? Do you consider that part of the silver that has been imported into India since the closing of the mints has been used for monetary purposes?—Yes.

11,539. Has it found its way into the coinage?—No; in bars.

11,540. For purposes of barter?—Yes. Now the Government cannot always go on borrowing gold, and, unless the economic conditions of India appear favourable, people will be indisposed to make fresh investments in India. Again, if convertibility is undertaken, as it must be, and the natives, following the example of the Government, should prefer gold, they could at any moment break down the Government scheme if they demanded the conversion of the rupees they hold. Sir A. MacDonnell (Answer 5769) says 75 per cent. of savings are in coined rupees. The savings of the natives,

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according to Mr. Harrison (Herschell Evidence, page 308), were Rx. 300,000,000, so, if Sir A. MacDonnell is right (which I doubt), they could demand Rx. 225,000,000 of gold from the Government. But at any rate, in the aggregate, they could demand a large sum.

11,541. Practically, I may take it, you think convertibility would be essential, and any attempt to ensure convertibility might entail on the Government so enormous a demand for gold as to break down either the Lindsay scheme or the Government scheme?—Exactly. Both of these schemes have been obviously conceived chiefly in view of the wants of the Indian Government, and they ignore, to a large extent, the interests of the people of India, and the immemorial monetary usages to which they have been accustomed.

11,542. I do not want to press you upon that, but is that absolutely so? Has not the Government, at all events, protested that its objects were greatly to assist the trade of India by creating confidence and keeping up the rupee at a price which would give confidence and attract gold?—Their chief concern, as disclosed in their Despatches, is to secure and maintain a 1*s.* 4*d.* rupee. And a leading official of the Finance Department of the Government of India has stated, in a document which has doubtless come under the notice of this Committee, that the main object of the proposals is to diminish the loss on the Government's Home obligations. I refer to a statement by Mr. Atkinson, an official of the Indian Financial Department. He says: "So far as the Government is concerned, "the main object of a gold standard for India is to "obtain fixity of exchange for the rupee in its "relation to the sovereign within defined limits, in "order to diminish, as far as possible, the loss "on India's gold obligations to England, while a "minor benefit desired is to encourage capital to "enter the country for permanent investment, and "thus assist its development."

11,543. You do not put that forward as an official pronouncement of the Indian Government?—No, that is based on the general tenor of the thing.

11,544. That is a personal statement of an official connected with the Accounts Department, but it does not profess to be a pronouncement of the Indian Government?—Quite so. It is not put forward as an official paper, but it seems in an official form.

(*Mr. O'Conor.*) It is absolutely unofficial.

11,545. (*Sir F. Mowatt.*) However, you put it forward for what it is worth?—Quite so. It is a mistake to link the maintenance of the standard of value of India, or of any country, with the incidental and varying circumstances of exchange, or that this should depend upon the action of the Government in controlling the currency, by operating in exchange. The currency should be automatic, as it was before the closing of the mints, not depending in any degree upon the action of the Government. Let us suppose that the Indian debt was altogether an internal debt, and that the obligations in connexion with it, in common with the other debts of the Government, were payable in India in rupees, just as the English Government pays all its debts in England in sterling. This would not affect the balance of trade. The country would still have as much of its productions to export, and as much of the productions of other countries to import. If more were exported than imported, the balance of indebtedness would be in favour of India. If the reverse, the balance of indebtedness would be against India. At this point India formerly, with her automatic silver currency, could always adjust her balances. The balance, which was usually in favour of India, was adjusted by imports of silver, which, with open mints, laid down rupees in India at a lower rate than that ruling for bills, thus equalising the rates.

11,546. You will pardon my pointing out to you that that argument is founded on the assumption that the Indian debt is an internal debt; unfortunately, as a matter of fact, it is not?—This is not an argument, I am putting this down as a statement. I wanted first of all to clear up this matter of the balance of trade; I will come to the argument presently. If India had had an adverse balance of trade to liquidate, and the exchange rate fell, owing to the demand for remittance bills being more than the supply, then the adjusting process would have been to export silver rupees, and in the old time, with a steady ratio between silver and gold, this process, as well as the contra process, which generally fell to be pursued, would have limited the variation of exchange rate to the cost and charges of exporting or importing the monetary metal.

11,547. What is the period in which you consider that the ratio between silver and gold was steady?—I mean before the disturbance began in 1875.

11,548. Before 1875?—Before 1875. As banks began to enter upon exchange business, they discharged a very useful function in equalising exchange rates over the dull season for exports, and otherwise serving the interests both of exporters and importers. The peculiar position of matters also, since the time when, as indicated by your first witness Sir James Mackay, Indian troubles as regards exchange first began—say, in 1875—(that is the practical year; Sir James gives an earlier date), quickly developed a new and important feature in the operations of the exchange banks in the business of fixing and securing the rate of exchange for forward transactions. The system of telegraphic transfers in place of bills has also been an important development. I have referred to these matters because the action of the Indian Government in selling council drafts, and the action of the exchange banks in buying those drafts for the *legitimate* purposes of their business, are so mixed up with the matter of exchange as based on the exports and imports of the country, that I think it is well to keep the bare substratum of importing and exporting, and the minimum of bill transactions or transfers necessary in connexion with it, clearly before the mind. Exchange banks, as commerce developes, will always be necessary in connexion with foreign business, and foreign governments who have debts to discharge will always have to remit or be drawn upon; but, beyond providing for their outside obligations, there should be no interference on the part of the Indian Government with exchange.

11,549. I will ask you one question upon that. I do not understand you to contend that the Indian Government may not properly either get the best price for their bills or hold them back till the proper time?—What I mean is this: I have had experience of countries where this is done, and all the operations of exchange were done through brokers who were sellers of bills and buyers of bills. Any attempt to sustain exchange when it is tending downwards, by the Government manipulating Council bills or otherwise, is a most dangerous interference. It may seem only an equalising adjustment, to tide over a passing depression; but the mere fact of the Government becoming an operator may bring new factors into play, and unforeseen consequences might result, as it would serve as a pivot round which speculation might play. I saw this result in Buenos Ayres at the end of the year 1884. For a few years, the paper currency there had been convertible into gold at par, and, as the course of the European exchanges was revealing the danger of convertibility being lost, the Government determined that it would sustain the European exchanges by selling bills against the large credits in Europe which it then had. The process went on in the months of November and December 1884. The Government, chiefly through the National Bank, became a taker and seller of bills; but the demand upon it as a seller was insatiable. The whole commercial world of Buenos Ayres wanted to remit, for most people saw, in spite of the protestations of the Finance Minister, that forced currency would come, and, besides funds falling to be remitted in ordinary course, borrowed every dollar

they could, so as to save themselves, as far as possible, when the crash came; and it did come early in January 1885, when a decree giving forced currency to the paper money came out, and a premium on gold of about 25 per cent. was immediately demanded, and exchange, which, while the Government had been selling, had been at 47½*d.*, also fell to about 38*d.*

11,550. What is your opinion as to the effect of withholding the sale of the Indian Council Bills which was tried during the six months of 1893, for the purpose, as you contend, I think, of sustaining exchange rates?—I was then concerned, with some other people, about the peculiar results of the action of the Government at that time, such as the falling off of shipments of produce from India, and I thought it out, and the following is the process by which I arrived at a conclusion. I formulated it in my own mind in this way: (1) Keep in view that all funds or floating capital in bank balances must have a tangible embodiment somewhere in material things.

11,551. Must that necessarily be so?—Necessarily.

11,552. If you say that such funds give a power to purchase things, I understand it; but that is not the same as being "a tangible embodiment"? — With regard to all balances, there must be something behind them to come at, unless you have bogus bills.

11,553. Is it not that such funds have the power of commanding goods? Are they an embodiment of those goods?—There are two things referred to. I am referring to the fund afterwards. This is the proposition that I want to be kept in view.

11,554. I only want to get at what your view is?—Just so. (2) The fund in India which meets the Council drafts is the result of taxation. (3) The taxation is paid by the people out of the money they get for their crops. (4) That money has its tangible equivalent in a certain quantity of produce.

11,555. Again, I accept that from you, but that is merely your own statement?—Yes. (5) Its retention in India has just the same effect as the holding back of so much produce. (6) When the Council drafts against it are sold, the right of the Government to the produce which that money fund represented is surrendered to the buyer of the bills, and it is shipped.

11,556. That is, the produce is shipped?—The produce is shipped. The problem I had to solve was, Why is this produce held back? And this is the way I solved it. The matter will be still clearer if we eliminate money altogether, and suppose that the taxes are paid in produce.

11,557. There, again, I must call your attention to the fact that they are not paid in produce, which appears to make a considerable difference?—What is the ryot paid in, where does he get his money? From his crops. I am making a supposition. I say, if we eliminate money altogether, and suppose that the taxes are paid in produce, if the Government retained that produce and stored it up in India, it would not, of course, appear in the exports; but, if the Government exported it, and from the proceeds, when sold in England, paid its debts there, it would mean the same thing as the sale of Council drafts.

11,558. But that, again, would eliminate all question of currency?—I am simply telling you my solution of the problem. The avowed methods by which the exchange rate proposed is to be secured are not only bad in these ways, but also objectionable in the incidence of their operation. To contract the currency of a country with the view of reaching or maintaining a given foreign exchange rate is not a thing which the Government of any European country with a sound currency would ever contemplate.

11,559. A sound currency in Europe would be a gold currency?—Yes, or it might be, as in France, a bi-metallic currency. Of course they have gold there chiefly, but I am referring to any sound currency.

11,560. One effect of that being in gold would be that gold would flow very readily both in and out, in accordance with the demands of the moment in Europe? — Yes. It is only in connexion with inconvertible paper currency depreciated through over-issues that such operations are ever conceived.

11,561. Would you say that it would be equally true with an inconvertible silver currency depreciated through over-issues?—Of course it would be just the same thing, if it were that. And to regard complacently the carrying out of such arrangements with regard to the silver money of India shows that the authors of the Government proposals now regard that money in the same light as a forced paper currency. If it really is so, it is a sad consummation quickly reached of the policy of closing the mints; and, if the natives of India came to believe that the silver money of India had been reduced to exactly the same position as the paper money, of which they are still so sceptical, and that paper notes of no intrinsic value might be silently substituted for it, it might be serious indeed, and they would be inclined to believe the agitators who are even now telling them that these changes are a device of the Sircar for robbing them of their silver money.

11,562. The issue of notes in lieu of rupees and the withdrawal of rupees for that issue are not a part of the Indian Government's scheme?—No, but we know that the power is there now, and they are very jealous of it. But it is not the same thing as an inconvertible paper currency. The position of silver in India, as a thing of value intrinsically, is still something essentially different from the position of paper money in a country where it has forced circulation, and the matter of redundancy or scarcity can only be gauged in an entirely different way. The quantity of paper money in circulation in forced paper countries can be exactly measured. The quantity of silver money and potential money in uncoined silver in India, with all deference for those who have given estimates, I think, cannot be measured.

11,563. You speak of uncoined money in India now as "potential money;" but, since the closing of the mints, it is hardly potential money now, is it?—It was potential money. The natives formerly used their ornaments for money. It was potential money formerly.

11,564. You mean, used them in the sense of currency?—They went and had them converted into currency. They were potential money, just as I would say that gold bars are potential money. It is in that sense.

11,565. But since 1893 they cannot so convert them?—No, that is the real difficulty; but still the tradition holds in the country. The quantitative theory, as regards forced paper currency, is simple; and, if contraction is desired, so as to give increased value to the notes, it is quickly attained by withdrawing and burning so many of the notes. In the case of the silver money of India, however, the facts of the case, as to whether there is actual scarcity or redundancy of the currency, are, first of all, much more difficult to judge, in view of the habits of the people with regard to silver and silver money; and it is the entire area of India, with all the innumerable channels through which silver percolates, and not the mere pressure at the ports, that must be kept in view. The operation of artificial expedients, intended to produce either scarcity or redundancy might, I think, readily fail in their intended effects, and very likely produce evil consequences in other directions. I think the conflicting evidence of experts whom you have examined on the question of redundancy and scarcity is due to these difficulties. The concrete case of a forced paper currency was, perhaps, before the minds of some of them; but the silver money of India is a very different thing, with the vast area over which it works, and its intimate identification with the saving habits of the 300,000,000 of its people, and theories applicable in the one case cannot be applied in the other. The system which prevailed before the closing

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of the mints suited India admirably. In the imports of silver she got what she wanted in liquidation of the balance of trade, and a large portion of this silver, which was all at first minted, remained in the currency, but no more than was necessary to meet the growing wants of an increasing population, and an ever expanding trade. Many circumstances at the time prevented the effects of the change from being seen, but latterly, and especially during last produce season, the results have been painfully visible, not only in the high rates for money which prevailed for an unprecedentedly long period, but also in the practical impossibility of obtaining it for purposes of trade; and I think it is the crying want of India that this state of matters should be rectified by a reversion to the old system, rather than aggravated, as it would be, by the Government scheme.

11,566. I understand that you consider that the high rates for money which prevailed for an unpleasantly long period, and the practical impossibility of obtaining it for every purpose of trade, were the result of the system which had curtailed the currency of the country?—Exactly.

11,567. And that curtailed currency found a necessary result in the high rate of discount and the impossibility of borrowing?—Yes.

11,568. Now that curtailment of currency still remains,—to a certain extent intensified by the wear and tear of the silver?—Yes, and there is not the addition going on.

11,569. Therefore, one would have expected that, if that was the inevitable result of that system, the result would be intensified in the present season?—Yes.

11,570. That is not the case, I think, is it?—It is only beginning yet. Already it is advancing.

11,571. Do you recollect the rates of discount which were charged during these months of last year? They were about 11 per cent., I think. Now, I understand, they are 6 or 7. If that was the inevitable result last year, it should have followed, should it not, that it would be intensified this year?—Not necessarily. There are a great many considerations that come into play—the famine and the immense area of India.

11,572. (*Chairman.*) Come into play, do you mean, this year or last year?—I mean always.

11,573. Then the force of your preceeding argument is subject to that?—Quite so.

11,574. (*Sir F. Mowatt.*) I wanted to get that clear, because it is rather an important point with us. You do not, as I understand, attribute the rise in the rate and the impossibility of borrowing solely to the system of curtailing the currency. Many other considerations come into play?—I was referring to its affecting current rates in India. As regards the proposal of the Indian Government, the advantage to India of a steady exchange in giving confidence to foreign capitalists and security for investments would no doubt be very great, but confidence would not be obtained if a 1*s.* 4*d.* rupee were sought to be established in the way proposed. There must be, not only the visible fact of a steady rate for some time, but also confidence in its maintenance; and, although the rate kept steady for a time, if it were seen that this was only secured by constant effort and manipulation on the part of the Government, confidence, I think, would not grow.

11,575. There again I should like to ask you this, because it is rather a crucial point. The two conditions are, first, that the rupee should be maintained for a considerable time at a fixed rate, and, secondly, that there should be confidence that the Government would be able to maintain that rate. As regards the first condition, do you accept it that the rupee has now for nearly 18 months been at or about 1*s.* 4*d.*?—Yes.

11,576. Therefore, the remaining condition to make the change possible is that there should be confidence in the Government's power to maintain it?—Quite so.

11,577. Would you say that, the longer the rupee is maintained at that rate, the greater would be the confidence that they would succeed in maintaining it permanently?—Yes, decidedly. But a rate artificially maintained in the way proposed is a very different thing from what a steady rate resting on an automatic currency would be. I am drawing a comparison between a rate which is always looked after and seen to be maintained, and one which would be automatic. The evidence taken before the Committee, as far as it has been published, shows that the majority of the witnesses, including many who now favour a gold standard, regret that the mints were closed. Our Manchester Chamber did its utmost in opposing the action taken in 1893, and now thinks that there is no way in which matters can be put right permanently but by undoing what was then done, and, as a first step, deciding that the mints should be reopened to the coinage of silver as formerly.

11,578. I understand that you recognise that some of those who in 1893 thought that the mints should not be closed have so far changed their opinion that they think that under the existing circumstances it would not be wise to go back and reopen the mints?—Quite so.

11,579. (*Chairman.*) But that is not the opinion of the Manchester Chamber of Commerce?—No.

11,580. The Manchester Chamber of Commerce still adheres to its opinion that the mints should be reopened?—Yes. We consider that a grievous injustice was done to the people of India when the mints were closed. The functions of silver in India were, and still are, of a unique character, and the standard silver money of India was far more to the people of India than the standard money of European countries is to their peoples. In a fully developed country such as England, credit money in bills and all the appliances of modern commercial life come in to facilitate the transference of commodities and property in whatever form they may exist, and in the international trade of India these devices also come into play. But in the vast internal trade of India, which is of infinitely greater extent, they are almost, if not altogether, absent; money in the primary form of coin of intrinsic value serving all the purpose of trade, both as medium of exchange and standard of value. Up to the closing of the mints, as regards its internal trade, India was admirably served by its silver money. It was automatic currency, and a true measure of value. The people of India had unbounded confidence in it. They hoarded it in coin, and converted it into ornaments, not, I believe, so much for display, as for security in preserving what was to them their liquid capital, for the ornaments could always be readily converted into coin as long as the mints were open.

11,581. (*Sir F. Mowatt.*) You said first of all that the closing of the mints acted as an injustice to the people who hoarded coin and ornaments, and you say that they hoarded their ornaments, not as ornaments so much, but as practically a deposit in the savings banks?—Yes.

11,582. Upon that I suggest to you that, when they could hoard coin or buy silver, and change it into ornaments, if their purpose was to hoard as a matter of saving, the coin was a much simpler way of doing it. Therefore, I suggest to you that they bought ornaments really as European ladies buy ornaments, because they liked them?—I believe differently. I think the main object of so many ornaments in a family was to have the silver to keep.

11,583. In preference to the rupee?—Oh, yes. It goes back to very ancient times, when India was very much convulsed with frequent wars, and the people were always in terror of being pillaged. I believe a great deal of the hoarding of ornaments in India had its origin in the custom of the people keeping silver about them, so that they could use it when quiet times returned. In that way they got into the habit of burying it, and the money in form of ornaments they had about them was more easily carried.

11,584. And more easily pillaged?—Yes, but of course they would try to get off in time.

11,585. Now one other question about that. You alluded to the evidence given by Sir Antony MacDonnell, to the effect that the hoarding in coin was considerably more than the amount hoarded in ornaments, and I think you founded an argument upon that?—Yes.

11,586. I suggest to you that, if the rupees are hoarded when they are below 1*s.* 4*d.*, then, when the Government forces the rupee up to 1*s.* 4*d.*, it makes the hoarder very much richer instead of very much poorer?—Possibly he got these rupees when the rupee was of a very different value altogether. They may be very old hoards upon which the loss is made.

11,587. (*Chairman.*) But what you are asked is, is not the raising of the rate a benefit to the hoarder?—So far, yes.

11,588. Do you say that it is an injustice to the people of India?—I did not quite endorse the opinion expressed by Sir Antony MacDonnell.

11,589. (*Sir F. Mowatt.*) If he is right in saying that, on an average, two rupees are hoarded for every one ornament representing a rupee in amount of silver, then any course which raises the rupee from 10*d.* to 1*s.* 4*d.* has put that hoarder in a much better position than if it had been allowed to fall to 10*d.*?—Yes; that is so far as the gold measure is concerned, apart from the value of it.

11,590. If a man has hoarded a rupee which would have fallen to 10*d.*, and he now gets a rupee that is worth 1*s.* 4*d.*, he is no poorer. I will not put it higher than that, if you like?—Just so. As regards hoarding ornaments, my belief is that it is a loss to the natives; that they have suffered from that. There is no doubt that they cannot get the same money for these ornaments that they formerly could get.

11,591. As to that, I should like to draw your attention to a question and answer given by Mr. Cheetham, who was here arguing in favour of the reopening of the mints. I am reading from Question 8809: "If it is impossible almost to get rupees now, "how could you expect to draw, say, 300,000,000 of "rupees from the currency in order to draft away the "Government gold?—(*A.*) Because at the back of the "currency in circulation is an unknown hoard of "rupees. In the evidence of Sir Antony MacDonnell "he says that the great bulk of the savings of the "people of India are in rupees, and not in ornaments. "That coincides with independent evidence that I have "got; I must say that it was a great surprise to me to "hear it." Now will you proceed?—No doubt the basis of international trade with gold standard countries had been seriously upset ever since the year 1875, and there was danger both to the Government and ultimately to the people of India in the uncertain relation of silver to gold that resulted after the closing of the French Mints, which up to then had maintained an even parity of value between gold and silver. Up till 1893, however, this aspect of the question had not forced itself upon the vast mass of the natives of India. They had their immemorial money in the form of silver rupees, which they could hoard or melt and reconvert, and in this tangible form the millions of poor peasants could see and make sure of the liquid capital in money which they possessed. The people generally did not at once realise the importance of the change in the monetary conditions throughout India which the closing of the Indian mints brought about. The millions of peasants were not in the habit of resorting directly to the Government mints to get their bangles coined; they went to the silversmiths, and, as their needs led them to go there to get rupees for silver ornaments, they found after 1893 that the conditions under which the silversmiths could buy them were altogether different from formerly, and they could not get more than half or two-thirds of their former value in relation to rupees. The converting of rupees into ornaments, along with the practice of hoarding coin, was much the same as the depositing of small savings in banks by the people of this country; and we can realise in some measure what the closing of the mints must have been in this respect to the peasantry of India if we suppose that, by an arbitrary decree, the English Government were to confiscate one half of a large portion of the savings which the working classes had in the Savings Banks.

11,592. I suggest to you that, on the view I have been mentioning, you must put it, "if we suppose "that by an arbitrary decree the English Government "were to add about one-third to the large portion of "their savings which the working classes of England "had in the savings banks"?—No, no.

11,593. If the hoarding in rupees is twice as much as the hoarding in ornaments ——?—I say a large portion; I have guarded my language there.

11,594. I am suggesting to you that, if the hoarding in rupees is twice as much as the hoarding in ornaments, and if any action of the Government halves the value of the ornaments and doubles the value of the hoarded rupees, then the action of the Government would be to add about one-third to the large portion of their savings which the working classes have in the savings banks?—Well, you may put it in that way, if you like; but, as I have already said, that is looking at the coined rupees from the point of view of their gold value, which does not affect my contention.

11,595. I only ask you the question?—The point I have chiefly in view is with regard to the ornaments.

11,596. (*Sir J. Muir.*) I think Mr. Barclay does not acknowledge that the rupees exceed the ornaments to the extent you indicate.

(*Witness.*) I think the evidence altogether with regard to quantity is very vague. I have letters from people who have written to me privately about it, putting the quantities very much higher.

11,597. (*Chairman.*) By the step the Government have taken they have made what was worth a little more than 1*s.* worth now 1*s.* 4*d.* Now, do you say that the analogous case in this country would be a proposal on the part of Parliament to confiscate one half of the savings which the working classes have in the savings banks?—When the natives go to the silversmith to get rupees for their ornaments, they only get a half, in consequence of the action of the Government. I am not referring simply to this action, but to the closing of the mints as well. The effort of the Government in stopping the sale of Council drafts was to maintain a rate of 1*s.* 3*d.* or nearly 1*s.* 4*d.*; it did not go to 1*s.* for some time afterwards. The closing of mints found the rupee very much of the same value as it is at this moment, I think. The price of silver on the 2nd June 1893 was 38*d.*, and that is about 1*s.* 3*d.* for the rupee.

11,598. Now, will you proceed? — While the peasants were in the habit of dealing with their savings in this way, the better classes in all the towns and cities, who also wear large quantities of silver ornaments, would be similarly affected as regards these, and the native bankers in the vast ramifications of their business, in which uncoined silver would no doubt play an important part, must have been seriously affected by the Government fiat which closed the mints. In the nature of things, apart from direct proof of discontent having been engendered, which I am sure an impartial commission of inquiry in India would bring out, it would be contrary to human nature that the natives should remain unmoved by circumstances so generally affecting them as those which resulted from the closing of the mints. And now that further developments of the same arbitrary action are proposed, which may ultimately lead to further interference with, and degradation of, the silver which they have been so long accustomed to, and which was so much to them in all their dealings, it is in the highest degree necessary to pause and beware of the evil consequences that may ensue. We know how careful we have to be in India with regard to all the religious and caste scruples of the people. If their religion stands first in their regard, certainly their silver money and their usages in

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connexion with it stand second; and if, as I have seen it stated, they are getting the idea that the Sircar or Government is seeking through the legislation to rob them of their silver, the consequences might be very serious indeed. I have referred to the native bankers, as well as to the mass of the natives generally, who are interested in this question. I would respectfully point out that, as the Government of India does not include any form of popular representation, those classes must look to this Committee to safeguard their interests. I may also refer to the statements that have appeared in the Indian newspapers, to the effect that some of the most important of the Maharajahs of the Native States and their finance ministers are deeply concerned at the effects of the closing of the Indian mints. It was reported that these States had proposed to have a conference among themselves to consider the question, but that the Indian Government through the Residents had dissuaded them from this. If it be so, there is all the more reason that any views on the subject which these Maharajahs, or their finance ministers, may entertain, should be fully considered, and that the people of England should know what is the independent opinion of these rulers. These native States embrace a population of about 70,000,000 people. Some of them have both mints and coinage of their own; others have also special coinage, though the coins employed are minted by the Indian Government. I have no doubt that, in view of these arrangements, the Government must have had some communication with them about this matter, and the public relies upon this Committee seeing that the interests and wishes of these States have the consideration to which they are entitled. I may say that general ideas such as I have now expressed were strongly in the minds of the Manchester Chamber's members when it disapproved the closing of the mints in 1893, and we are confirmed by what has happened since in the view then taken. I believe that the only way out of the difficulties in which the Indian Government and the Indian people find themselves, as the result of the action then taken, is to abandon the idea of a gold standard for India, and, as a first step, to decide that the mints should be reopened. In my opinion, what the situation demands is a solution that will give India automatic silver money, in order:—

1. That the supply may be adequate for its growing industrial and commercial needs.
2. That its standard should be the same as other silver countries, so that there should be no monetary advantage in favour of China or other eastern competitors.
3. That the habits of the people in connexion with their silver money should not be interfered with, and the loss which they at present make in reconverting ornaments into rupees should be obviated.

It is necessary that there should also be:—

4. A fixed par relation between the silver money of India and European countries such as the Indian Government aims at.

While I object to the mode in which the Indian Government seeks to carry this out, I quite sympathise with it in its desire to accomplish this object, both for its own special advantage as a large remitter of funds to England, and also for the other commercial advantages that a steady 1*s.* 4*d.* rupee would give. The Government of India, judging from its despatches, concentrates its attention upon these advantages; but the advantages of an automatic silver currency which I have just named are no less important (I would say much more important and absolutely necessary), and, if a scheme could be carried through that would combine both, it would surely be much better for all. The difficulty in the way is the present divergence between the gold value of the rupee and its metallic value, but I believe that, if India decided that the mints should be reopened, forces would come into play that would greatly affect silver in the way of making its gold value approximate to that of the rupee. Until the Indian mints were closed, silver had never fallen below 38*d.* per oz., and I think there is every reason to believe that the mere decision to reopen them would have a great effect upon the present gold value of silver. There is every prospect of an increasing demand in connexion with the opening up of China, and also of Africa, and, if concurrent mintage by the United States on the basis of 42*d.* per oz. or 1*s.* 4*d.* per rupee could be secured as indicated by Sir Forbes Adam, a stable arrangement, suitable for all the wants of India, both as regards the Government and her internal and external trade, might be established. If this Committee will recommend such a mode of settlement, I believe that such concurrent mintage could be arranged.

11,599. You say that this measure will be unpopular in India, and you think that there would be a general feeling against a gold standard and a gold currency in India. Are you aware that resolutions have been sent home many years ago in favour of a gold currency, and that the Bengal Chamber of Commerce declared their opinion that a gold standard was almost universally admitted to be a positive benefit to India, and that a Commission was appointed, and that that Commission took a very wide range of evidence, and reported that the evidence that they had taken unanimously proved the demand for a gold currency?—I know there were several things of that sort, but there were also specific representations made by the Indian Government urging a bi-metallic arrangement.

11,600. I mean apart from the bi-metallic question?—Oh, yes, there was what you say.

11,601. (*Sir J. Muir.*) I have one or two questions that I should like to put to you regarding the evidence that you have given; but, before going to that, I would like to call your attention to a memorial that was sent out by certain firms in Glasgow. You have had a long connexion with Glasgow in former years, have you not?—Yes.

11,602. So that you know these firms that I am going to name to you in a moment. These people profess to be doing a considerable business in India, and they put in a clause in which they say that they, as exporters to India, have as good a right to be heard as the people in India. Now, the first name on that list is J. & W. Campbell. That is a firm you know very well?—Yes.

11,603. What is their business?—It is a very large home trade house. I do not think that they do very much foreign trade; they had not in my days, when I knew Glasgow, any foreign trade at all.

11,604. Their connexion with India was on quite a moderate scale, but they are a leading house in Glasgow as a large wholesale house?—Yes.

11,605. Now, as to the clauses of your evidence to which the Chairman has specially directed your attention, I fancy you may have some information in addition to what you have given us. You say: "I "may also refer to the statements that have appeared "in the Indian newspapers" as to the effect of the closing of the mints. Have you any information that you can give us as to the feeling of the natives? Have you any facts that you can put before us as to the feeling of these Rajahs and Maharajahs that you refer to?—Nothing that I could put in a definite way before you, but friends in India whose veracity I can rely upon have written me informing me that such is the fact, and the fact was also referred to in an article in the "Times" of August 3, 1898, which I will read, if desired. The political dangers involved by causing dissatisfaction at the Courts of the Native Princes and amongst the people of India need no words from me to emphasise it. And I would respectfully urge this Committee to take the practical certainty of such dissatisfaction into consideration, and not to rely upon such information as may be received by the Government of India on the subject, and communicated to this Committee. In the nature of the case, the officials of the Government of India, for whom I have the highest esteem, are the last people to whom the

natives would air such grievances. It is notorious that at the time of the Mutiny the official class were in entire ignorance of any danger, and, indeed, pooh-pooh'ed any idea of it.

11,606. I should like to hear the remarks of the "Times" to which you refer?—This is in an article under the title of "Indian Affairs" in the "Times" of August 3, 1898. It is headed "The Currency Question from a Native Financier's Point of View." "A "significant movement is taking place in the Native "States with regard to the currency question. The "Chiefs realise that, as holders of the largest silver "hoards in India, they are deeply interested in a "measure which has reduced by one-third the rupee "value of their bullion. The financial adviser of a great "Feudatory is said to have sounded the Ministers of "other States as to the feasibility of a Joint "Committee to inquire 'how far it affected their "peoples" and to have asked qualified persons living "in British territory whether they would consent to "serve on it. The project hung fire, but it is now "being urged in the Native Press." It then goes in some detail into other things.

11,607. (*Sir C. Crosthwaite.*) Is that a leading article?—No; it is in the article on "Indian Affairs." It is one of a series of articles always appearing. The writer is very well known as an Indian authority.

11,608. (*Chairman.*) He says, "the project hung fire"?—Yes, the inference is that the Residents objected to it.

11,609. (*Sir F. Mowatt.*) The inference is?—And the knowledge privately is.

11,610. (*Sir J. Muir.*) Information could be got, I suppose, by this Committee as to whether or not the Residents at these Native States had instructions to act in that way?—I believe the only way in which you would get it would be by a Commission out there.

11,611. You say that the silver money of India is more to her people than the standard of European countries, and that the internal trade is much the largest. Can you give us any reliable estimate of the amount of the internal trade of India as compared with its external trade?—No, I cannot, but it is manifestly obvious that it must be immeasurably greater. Though I do not say the circumstances relating to this country are analogous to those of India, yet they must apply to some extent. Now, as regards this country, our exports and imports in 1897 were together 625,000,000*l.* Now, the amount which passed through the London Bankers' Clearing House in that year was 7,500,000,000*l.* Even if we deduct a very large amount of this as arising from Stock Exchange transactions, there would be an enormous sum left pertaining to commercial transactions, and in addition to this several hundred millions sterling passed through the various provincial bankers' clearing houses (Manchester alone was 200,000,000*l.*), and, in addition, there are all the transactions settled by cheques cashed across the counter in London and Provinces, and all the transactions settled in cash throughout the country. I am fully justified in saying that the internal trade of India is immeasurably greater than her external trade. Silver money is what the natives know and prefer, and it is monstrous that the Government should seek to force a gold standard on India because of its 17,000,000*l.* of Home obligations, even though 70 to 80 per cent. of India's external trade is with gold-using countries. Of course, if you gauge the thing, to any country, for instance France, her external trade is a mere bagatelle to her internal trade.

11,612. With regard to the savings of the natives, it has been stated to the Committee that a large part of these is in coined rupees, upon which the natives have suffered no loss by the closing of the mints. With regard to silver hoarded in the form of ornaments, have you any evidence that the sale of such ornaments takes place in time of stress to such an extent as to justify the analogy of savings deposited in an English savings bank?—With regard to country silver and silver ornaments being sold in times of stress, the Indian Mint Reports of the famine years 1876–77 to 1879–80 show that about 34,000,000 rupees' worth of "bullion in the form of native orna- "ments which had been thrown on the market "by sufferers from famine," were received at the Mint for coinage in those years. Resolutions of the Government of India on the Mint Reports included a statement to the effect that the amount of such silver "indicates with a certain accu- "racy the commencement, progress, and severity "of the famine, and the effect it has had upon those "influenced by it." Full particulars are given in an Appendix on page 271 of the Minutes of Evidence of the Indian Currency Committee of 1892–3. The quantities which reached the mints must have been only a fraction of what was sold by the natives to the dealers. Those would be realised at nearly weight for weight in rupees. In the recent famine, when the mints were closed, the silver ornaments, as I have said, would probably only realise about 50 per cent. in rupees. It is common knowledge that, except the destitute, all classes in India possess silver ornaments; but, even on Sir A. MacDonnell's assumption, he admits (Answer 5767) that such sales by the cultivating class were made at a less value than the rupees which had been melted to make them, and this would, of course, injuriously affect the labouring classes, who are, to a large extent, identified with the cultivators. Sir Antony MacDonnell draws a distinction between the labouring classes and the cultivators; I would modify that distinction. That every rupee was required, is shown by the following significant telegram sent by Lord Elgin to the Governor General of Canada during the recent famine ("Times," February 4th, 1897):—"The prompt "sympathy shown by Canada is most warmly appre- "ciated here. The Famine Fund Committee consider "money more useful than grain or other supplies." It is well known in India that several wealthy natives were compelled by the stringency of the money market to make private arrangements with their creditors.

11,613. (*Sir F. Mowatt.*) May I ask what is Lord Elgin's telegram? Is he telegraphing about ornaments?—Not at all.

11,614. You are saying, I understand, that money invested in ornaments is practically depreciated 50 per cent., because the ornaments have to be sold, and, as I understand it, you read in support of that a telegram from Lord Elgin to Canada to say that the Relief Committee would be glad of a grant of money?—Yes, not grain, but money. My argument is that the ornaments and the rupees are money to the natives.

11,615. In other words, there was plenty of grain, but no rupees?—There are those who maintain that the late famine was a money famine and not a grain famine, because there was grain to be had, but no money to buy it.

11,616. Of course, Canada could not send actual rupees. But you do not put that forward as showing that ornaments have been depreciated in value?—Oh, no, I am on a different point altogether.

11,617. (*Sir J. Muir.*) We understand that the Manchester Chamber of Commerce did its utmost in opposing the action of Government in 1893 in closing the mints, is that so?—Yes.

11,618. You are aware that it is alleged that, if the mints were open to silver, India would become the dumping ground for that metal. Have you any observation to offer upon that point?—With the mints of India open under the conditions which I recommend, no such allegations could be made. But I deny the accuracy of the remark being applied even to the time when no great commercial nation had its mints also open to this metal. No silver mine owner ever exported silver to India as a speculation. Those who imported silver into India at such times have been responsible people, mainly the great Indian banks, who did so because they were aware there was a requirement for it; indeed, I may say, there is no commodity the international movements of which are

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attended by such nice calculations as the precious metals.

11,619. (*Mr. Campbell.*) Sir Francis Mowatt asked you in regard to your reasons for thinking that it would be absolutely impossible to establish a gold standard and currency, and you mentioned the difficulty of getting gold. Did you mean by that that India would have to borrow the gold?—Well, it depends on the quantity of gold she would require to make an actual gold standard and currency.

11,620. Whatever the quantity might be, would there be any difficulty in getting it?—I think it would be a tremendous tax upon her.

11,621. I suppose you are aware that India already commands the precious metals to the extent of an average of about Rx. 12,000,000 per annum?—Yes.

11,622. In that position, should she not be able to command a gold currency, if she wished to, just as readily as a silver currency?—I do not think it.

11,623. You think not?—I think not.

11,624. Why should she not apply the gold she might acquire in that way to currency purposes as well as silver?—Because the people do not take to it. Mr. Ralli said that, in all contracts with the natives within a few miles of the Presidency towns, you would require silver. Gold is a thing you cannot use.

11,625. It is not so much the difficulty of acquiring the gold, as the difficulty of getting it into usage?—That is it; the difficulty of getting it into circulation; but, as I have said, it would also be a tax upon her to get it.

11,626. Then you refer to the Government "operating in exchange." You do not mean, do you, that by drawing on India for the amount of the home requirements, the Government is operating in exchange in an improper or objectionable manner?—No. It is the Government operating on exchange with the view of maintaining it, and the analogy I have in my mind is that which occurred in Buenos Ayres—attempting to maintain exchange. When they saw that gold was going to be exported, the Government determined that they would supply exchange to the importers of goods.

11,627. You refer to the Government's action in holding back their bills?—I wanted to eliminate that. I wanted to bring before the Committee the simple action of exchange.

11,628. Now, in the time of an adverse trade balance, is not that one of the temptations to which the Government is subjected, owing to the violent fluctuations in the rupee exchanges?—Under the present state of things.

11,629. Under the old state of things?—Under what is going on now.

11,630. I mean when silver was the currency—under open mints?—No, the Government had no power at all, as I understand; the Government simply coined rupees.

11,631. But the exchange was liable to very violent fluctuations?—It was liable to fluctuations.

11,632. (*Chairman.*) The Government are not bound to draw Council bills?—They are bound to pay their debts.

11,633. (*Mr. Campbell.*) Is there not a temptation to avoid drawing in order to escape the loss arising from a sudden drop in exchange?—Yes.

11,634. Would not that be an argument in favour of a gold standard and currency as compared with a silver standard and currency, that under a gold standard and currency these evils could not arise; and, therefore, that temptation would not exist?—I do not quite understand your question. Do you mean to keep up exchange, the Government interfering for the purpose of preventing exchange from falling?

11,635. What I mean is that, with open mints and an adverse trade balance, the only way of settling it is by Government accepting a heavy fall in exchange, or borrowing money in order to avoid paying their debts. With a gold standard and a gold currency that objection would not arise, because the gold would be available to be shipped home?—Of course it would be.

11,636. Is not that an argument in favour of a gold standard?—What I propose is a standard that would be the same as gold, while, if the Government had to ship gold home, their gold system whould be endangered.

Adjourned.

Mr. ROBERT BARCLAY recalled and further examined.

(12th January 1899.)

11,637. (*Mr. Campbell.*) In your evidence yesterday you alluded to contracting the Indian currency; did you refer there to the Government's proposal to melt down currency in order to raise the exchange to 1*s.* 4*d.*?—I refer to the whole system of closing the mints—closing the mints is, of course, contracting the currency itself—and also to the specific way in which they were going to melt down rupees.

11,638. That is what you meant when you referred to their endeavouring to raise the exchange to 1*s.* 4*d.*?—Yes.

11,639. Do you consider that, if the currency had been contracted in that way, it would have increased the stringency of the money market which has been complained of?—Yes, I think it would.

11,640. Do you consider that a 1*s.* 4*d.* exchange, established by such means, would have inspired the confidence necessary to attract capital from this country to India?—The fact of its being established by this means, and consequently requiring to be maintained, would not inspire confidence. The people who might be looked to to send money to India may be divided into two classes: (1.) Those who are prepared to enter on any given enterprise or speculation, taking all the risks to which it would be liable, including exchange, under the belief that profits would be realised which would cover all these risks. In their case the conditions might not be so deterrent. (2) The much larger class which consists of those who have large funds to invest, and who will not concern themselves with details of investments. To this class, the fact that the currency of India was maintained by Government management—which in itself implies that it might break down—would be a deterrent.

11,641. You allude to the loss the natives have sustained in selling silver ornaments. Would you regard it as any compensation for that loss that silver for the purpose of ornaments can now be bought very much cheaper than formerly?—Not a compensation for the past loss.

11,642. But suppose a person, under the stress of famine, for instance, had sold his ornaments to-day, would it not be some compensation to him that, if he was in a position later on, he could buy them much cheaper than formerly?—That is a speculation in silver.

11,643. No. Suppose he had ornaments that he had been obliged to part with; if he can get them back for the same money that they realised, that would be a compensation to him, would it not?—Yes, that would be a speculation in silver.

11,644. India has bought an immense amount of cheap silver since 1893?—Yes.

11,645. In the last four years a total of Rx. 27,000,000?—Yes.

11,646. You point to the possibility of establishing a fixed rate of 1*s.* 4*d.* by an international agreement?—Yes, or by an agreement with the United States; that is the primary thing, of course.

11,647. You say it is necessary that there should also be a fixed par relation between the silver money of India and European countries, such as the Indian Government aims at. Later on you mention that this may be effected by concurrent mintage in the United States and India on that basis?—Yes.

11,648. Do you mean that the concurrent mintage by the United States alone along with India would be sufficient?—I think so, but I believe that more could be got to come in.

11,649. You think the United States alone, acting with India, would be sufficient?—Yes.

11,650. What reason can you give for saying that?—I have an intimate knowledge of all the circumstances attending the international negotiations for a monetary agreement in 1897, and I can speak in the most positive terms as to the good faith and desire of the United States and France in those negotiations. But for the then opposition of the Indian Government to any agreement, I believe a compromise might have been arrived at, for Mr. Balfour, the First Lord of the Treasury, in the following statement in the House of Commons on March 17th, 1896, showed that the Home Government were ready to open the Indian mints. He said that, as part of an international agreement, "We will re-open the Indian "mints, we will engage that they shall be kept open, "and we shall therefore provide for a free coinage of "silver within the limits of the British Empire for a "population greater in number than the population "of Germany, France, and America put together." I am aware that the ratio suggested in 1897 was different to that which has been put before this Committee. The latter is 22 to 1, which is equivalent to a 1*s.* 4*d.* rupee, the rate desired by the Indian Government.

11,651. (*Sir F. Mowatt.*) May I interrupt you here just to make this clear? You are aware that the Chancellor of the Exchequer, who spoke for the Government, did not go quite so far as Mr. Balfour did in the extract you have just read?—No, not quite so far.

11,652. I only want to call your attention to the fact that the statement made on behalf of the Government did not go so far as the statement of Mr. Balfour?—That is so; but, of course, those gentlemen had the whole thing before them. Senator Wolcott, the head of the United States Mission of 1897, stated, in reporting the negotiations to the Senate, that, of the contributions desired from England, "All other "proposals, however, were of infinitely small im-"portance compared with that respecting the re-"opening of the mints of India to the unlimited "coinage of silver." And, with regard to ratio, he said: "It may also be necessary, in my opinion, to "make concessions in the ratio, bringing it some-"where in the neighbourhood of 20 to 1, more nearly "approximating the ratios recognised by Russia, "Austria, and India." The Russian arrangement was 23¼ to 1, and the Austrian 18½ to 1, and the Indian ratio which he refers to is 22 to 1, viz., that which the Indian Government said (16th September 1897) is what would suit India. Other prominent American leaders have also in their public statements shown that the feeling in America in favour of a modification in the ratio is pretty general, while as to the desire of the present United States Government for a settlement, notwithstanding the treatment they received in 1897, President McKinley, as lately as the 1st of last month, declared the continued adherence of the Government to a desire for an international agreement for the remonetisation of silver. I may say that this morning I saw a communication with a statement in favour of a modification of the ratio by Senator Jones, of Arkansas, the chairman of the Democratic Convention and a free silverite; and Senator Chandler, a leading Republican from a gold State, New Hampshire, and Mr. Towne, chairman of the free silver Republican party, have also lately spoken to the same effect. I must add that, while the open mints of the United States and India would be sufficient for maintaining such a ratio, I would much like to see France included in any agreement, and I believe that, if this country showed itself ready to reopen the Indian mints, the co-operation of France could also be secured.

11,653. I should like to make this quite plain. I listened carefully to what you read, but I did not see any proposal there for a ratio to be arranged between India and the United States alone without the assistance of other powers. I think that was the particular question you were asked—whether you had reason to believe that, without the assistance of any other nation, India and America could raise the ratio up to 1*s.* 4*d.* I do not gather that any of the authorities that you have quoted contemplate a ratio to be established in that way?—No, they were statements simply, but I give you my opinion that it can be done. I will give the grounds if you wish it.

11,654. (*Mr. Campbell.*) Without the co-operation of France, how could you establish the fixed par relation that you spoke of between the silver money of India and European countries?—By the general level. The point I want to make to you is this: that, when silver was maintained at a level under the old arrangements, the main thing (as declared by the Gold and Silver Commission) was that it was the power of the Latin Union, from its population and its trade, that kept the rate steady. Now the population of the United States would almost equal that; so that America acting alone, I believe, could do it; but I believe that it is very likely that America would like France to join, and I believe that France would not be unwilling to take part as well.

11,655. Without some arrangement of that kind, the European countries would have a right to send silver to India or America in any quantities they chose at the price you speak of, but they would not be obliged to take an ounce in return?—Of course; at least not at their mints.

11,656. Not even the French mints?—Not if they did not come in.

11,657. (*Sir J. Muir.*) These questions I am putting to you on behalf of Mr. Holland, who cannot be here to-day. You object to any interference by Government with the natural course of exchange. Perhaps you would make it a little more clear what you mean?—On behalf of the Manchester Chamber of Commerce, I desire to protest in the strongest possible manner against any such thing as a Government-managed currency or exchange. I need say nothing to impress this Committee with the commercial importance of the district of which Manchester is the centre, and I am sure I am representing its unanimous voice in its protest. To give the Committee an idea of the importance of Lancashire trade with India, I hand in some figures showing that Lancashire's exports are 71 per cent. of total British and Irish exports to India.

11,658. (*Sir F. Mowatt.*) Did you say Lancashire or Manchester?—Lancashire—Manchester being the centre of the manufacturing and exporting trades. The table is this:—

EXPORTS OF BRITISH PRODUCTIONS TO INDIA.

Lancashire District.

Estimate.

	£
Cotton yarns and goods - -	17,000,000
Machinery and steam engines -	1,700,000
Iron, steel, and other metals - -	800,000
Other manufactures, &c. (clothing, railway carriages, chemicals, glass, woollen goods, umbrellas, &c.) -	400,000
	£19,900,000

In these figures it is assumed that all cotton yarns and goods, except hosiery, belong to the "Lancashire District," including exports viâ Glasgow. The other items are estimated proportions of the total exports of each class to India from the United Kingdom.

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SHARE of TOTAL EXPORTS of BRITISH PRODUCTIONS sent to INDIA in the Five Years 1893–97 inclusive.

	1893.	1894.	1895.	1896.	1897.
	£	£	£	£	£
Total exports of British productions -	218,259,718	216,005,637	226,128,246	240,145,557	234,219,708
Of which to India - - -	28,814,880	29,339,781	24,753,008	30,097,768	27,382,091
Proportion to India per cent. - -	13·2	13·6	10·9	12·5	11·7

SHARE of TOTAL EXPORTS of BRITISH PRODUCTIONS sent to INDIA in the Five Years 1888–92 inclusive.

	1888.	1889.	1890.	1891.	1892.
	£	£	£	£	£
Total exports of British productions - -	234,534,912	248,935,195	263,530,585	247,235,150	227,077,053
Of which to India - - -	32,614,565	31,047,892	33,641,001	31,177,968	27,902,572
Proportion to India per cent. - -	13·8	12·4	12·8	12·4	12·2

The ordinary difficulties of trading are great enough, without such an element being introduced into it by Government; and the commercial community at large looks to the British Government to prevent the Indian Government, or any other Department of State which it controls, following any such course as Government interfering with the natural movements of exchange.

11,659. (*Sir J. Muir.*) Have you formed any general estimate of what the silver money in India amounts to?—I have already given my opinion that these things cannot be estimated accurately. I say "no," in reply to that question. But, apart from the coined rupees in circulation, I believe (considering the enormous imports of silver into India for centuries) that the amount of uncoined silver hoarded is much greater than any of the official estimates. Private advices I have had from India have brought this opinion from prominent native bankers of wide experience, who have given the subject careful consideration. They say that the estimate of Rx. 300,000,000 of uncoined silver hoards represents no more than the savings of the last 150 years under British rule; and that the total amount is probably nearer Rx. 1,000,000,000.

11,660. You speak of the native dissatisfaction with the effect of the closing of the mints. Have you any evidence of such dissatisfaction?—I have had it in the strongest terms in private letters from friends in India, who are well situated to judge of native opinion. Besides, leading Native papers, such as the "Amrita Bazar Patrika" (Calcutta), have given voice to such dissatisfaction; and, as Mr. O'Conor and other witnesses have thrown doubts upon the existence of any dissatisfaction, I must ask to be allowed to read extracts from leading articles which appeared in the "Amrita Bazar Patrika" of September 15 and September 19 last. As the Committee knows, this paper is printed in English. This is from a leading article in the "Amrita Bazar Patrika," of the 15th September 1898:—"When Mr. Arthur was asked by the President "of the Currency Commission whether there have been "'any decided expressions within your knowledge of "'native feeling on the present policy,' he answered, "'So far as the Native Press is concerned, I do not "'think there has been any feeling at all. When the "'Native Press in India has a grievance, everybody "'hears about it; but with regard to this question, I "'do not think I have seen a single native paper take "'it up and complain about it.' Of course, what "Mr. Arthur says is not correct. We have every "now and then written on the subject, and expressed "our entire disapproval of the currency measure. It "is strange that Mr. Arthur should venture to make "this bold statement, for, as President of the Chamber "of Commerce, he ought to have come across what "has been stated in this journal on that subject "several times. But, suppose that our articles did not "meet his eyes, he had yet no right to say that the "question had evoked no feeling among the Indians. "So early as July 1893, when the mints were just "closed, the Indian Relief Society submitted a petition "to Parliament, through the Right Honourable Mr. "Chaplin, which represented the Indian views and "sentiments on the subject. The petition created "some stir in England, as it was noticed by the "'Times' and other English papers." Then it goes on in another portion of the same article:—"The "whole question, from the Indian point of view, is "contained in a nutshell. It was established upon "the most reliable testimony that the amount of "uncoined silver in the hands of the native popula-"tion before the closing of the mints represented "130,000,000*l.* And now, by a single stroke of the "pen, by the arbitrary action of the Government, "the whole of this enormous amount of property "has become depreciated to an extent of which "neither the rulers nor the people of the country have "the slightest idea."

11,661. (*Sir F. Mowatt.*) I do not gather that, up to the time of Mr. Arthur's evidence, they allege more than that they themselves have on several occasions drawn attention to the subject?—Yes. Of course, this question is a new question to the natives; we must bear that in mind. As I have stated in the early part of my evidence, the actual effect of the closing of the mints was not at once realised by the natives; it took a long time. They went on for years melting rupees, and even in some remote districts do so still, I have been told.

11,662. Mr. Arthur's evidence, I must remind you, was not given before June 1898?—This was written after the receipt of the first Blue Book published by this Committee.

11,663. (*Sir J. Muir.*) This man could not write until he had seen the Blue Book?—Just so. I will not trouble the Committee with much of this, but I should like to read this extract from an article in the same paper, of the 19th September, 1898, headed, "How the Currency Measure has added to "the Poverty of the Indians." "It is impossible to "overstate the disastrous effect of the currency "measure upon the vast masses of this country. "In order to understand the real situation, it is "necessary to realise the appalling poverty to which "they had already been reduced before the closing "of the mints." Then, later on, it says: "The "point is not whether they take ornaments to the "mints to be coined or not, but whether or not

" the value of the silver in their possession—their " only property — has been nearly halved by the " arbitrary action of the Government. As there is no " question about this matter, so what our enlightened " Government should do, in righting this great " wrong, is to purchase all the silver from the people, " at prices which prevailed before the closing of the " mints, and pay them in gold. This is the only " alternative left to the Government to neutralise the " effects of a measure which, when properly realised, " will create the greatest possible distress and " discontent amongst the masses of India. It was " during times of famine, as a rule, that the Indian " peasant parted with his silver property. By " pledging, say, 10 tolas, he used to get, say, eight " rupees. But the Mahajan (the money-lender) at " the present prices of silver will give him only Rs. 5 " for 10 tolas. By the currency measure, therefore, " several times more poverty has been added to the " appalling one in which the ryot has already been " sunk. The position is all the more grave when it " is considered that the famine in this country had " always been rather of money than of food. When " the last famine occurred, the Viceroy telegraphed " that money was wanted, not grain, of which there " was sufficient in the country as a whole; and it is " an enormous loss of money that the people are " going to suffer from the closing of the mints. How " many deaths were caused by the great famine of the " last year will probably be never known; but it is a " significant fact that, while it raged, a pound of rice " in India was cheaper than a pound of wheat in " London. As the rupee is getting scarce day by " day, people have to purchase it at a higher cost than " before. This means that they have to part with a " larger quantity of their produce for a rupee than " before. But the Government wants its demands " in rupees. Since the Government has by its action " made the rupee scarce, the Government ought now, " to be just, to take its dues in kind. So the closing " of the mints has not only depreciated the property " of the ryots, but reduced their earnings, or rather " increased the Government demands upon them."

11,664. (*Sir F. Mowatt.*) I think you said the price when the mints were closed was at 1*s.* 4*d.*?—Yes, that is speaking generally.

(*Sir J. Muir.*) I understood we discovered yesterday that on the day the mint was closed the rate was at 1*s.* 2$\frac{5}{8}$*d.*

11,665. (*Sir F. Mowatt.*) Quite so. But I think the witness will agree with me that he put it at 1*s.* 4*d.*?—I was speaking generally of the effect of the closing of the mints upon the natives. As to the rate of exchange with London, I mentioned that was about 1*s.* 3*d.* on June 2, 1893.

11,666. (*Mr. Campbell.*) That is not a question of exchange at all. It is merely a question of getting 106 rupees for 100 tolas of silver, as they did before the mints were closed?—My object in putting this evidence before you is to contradict the statement that has been made that there is no feeling among the natives. I should like the whole of these articles to appear somewhere in the proceedings of your Committee, but that is a question you can decide afterwards. I think it ought to go in somewhere, because that statement of Mr. Arthur's and those of other witnesses have gone forth, and I think the natives in India will not be satisfied unless it is recognised that there has been, and in the very nature of things there must be, a strong feeling upon this matter. Had the same thing occurred in England, it would have been a great hardship, and the English people would have cried out against it. I may also say that a few days ago I received a telegram addressed to me at Manchester, signed by the President of the Indian National Congress meeting at Madras, saying the Congress had passed a resolution protesting against a gold standard for India. I may say I do not know the President of the Congress, nor have my correspondents in India any connexion with it. I assume the telegram was addressed to me as President of the Manchester Chamber of Commerce, as it is well known in India that our Chamber is opposed to the gold standard, and in favour of reopening the mints to silver.

11,667. (*Sir J. Muir.*) Are you aware that some of the Native States have recently given up the right of coinage?—I am, but the public do not know all the circumstances attending the abrogation of their rights by these native princes.

11,668. Perhaps you would not mind stating the names of the Native States?—I will do so as far as I can. "We know that the princes are very jealous of their sovereign rights, and I know from my private advices that the rights of mintage are regarded very jealously by some of them. There is one fact in this connexion to which I would like to draw attention. I believe Kashmir is one of those States which have given up rights of coinage. Now the Maharajah of Kashmir is a minor and his guardian is a British officer. To a Committee which includes high Indian officials, I need say no more to explain why Kashmir has given up its rights.

11,669. (*Sir F. Mowatt.*) If Kashmir has given it up on that ground, it is not apparently that the native rulers desire to give it up?—There is no native ruler at all—he is a minor.

11,670. You do not quote that as an evidence of a Native State having given up its right to coinage because it was dissatisfied with it?—No.

11,671. (*Sir J. Muir.*) Do I understand you to mean that the ruler is a minor, and that he has given it up under the advice of the British Resident?—Yes, under the advice of the British Resident, who is the real ruler.

11,672. (*Sir C. Crosthwaite.*) I understand you to say that the Maharajah of Kashmir is a minor, and that during his minority he has given up his right of coinage?—Yes.

11,673. Can you tell me when he gave up that right?—I cannot.

11,674 Are you certain that he is a minor?—I have an authority for saying so. I have every reason to believe that the person who gave me that information is correct.

(*Sir C. Crosthwaite.*) I believe I am right in saying that he gave up the right last year, and that he is not a minor; in fact, he is a man of mature age. He was for a time under a kind of tutelage, but during that time, which is past, he did not give up his right of coinage. Some time back he was restored to his full sovereignty, and he now governs the country with the aid of a council; and I think I am right in stating that it was last year he gave up the right of coinage.

11,675. (*Sir F. Mowatt.*) I am sure, Mr. Barclay, you will feel that that illustrates the immense importance of testing the value of information derived from correspondents?—It is very difficult to get information. Of course, Sir Charles is an authority, and all the exact circumstances are better known to him than to me.

11,676. (*Sir C. Crosthwaite.*) But, when you make these statements, have you examined the official papers or taken pains to ascertain the exact facts?—No, I have not in this case, but I have been very careful with nearly every part of my evidence. I have spent days over it.

11,677. When you say that the Maharajah of Kashmir was a minor, and that he was made during his minority to give up the right of coinage, have you taken the pains to go to official sources to ascertain the facts?—Personally I have not.

11,678. (*Sir J. Muir.*) Is there any other State besides Kashmir that you can mention?—Well, I have no other information except on the same grounds. There was a small State that also gave up the right.

11,679. Which was that?—I do not think I ought to give it; if you wish it, I will do so. I was referring to Bhopal. I reserve to myself the right of sending in some explanation with regard to that last answer that I gave. I have had correspondence referring to

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this matter for some time, and that point has come out very fully—I mean the jealousy of the Native States for that right.

11,680. (*Sir C. Crosthwaite.*) But if you say that any pressure has been put upon them to give up this right—— ?—I quite realise the importance of your question.*

11,681. Have you heard of Bhopal giving it up? —Yes.

11,682. Do you know that the Begum of Bhopal did it of her own accord?—I am told it is a very small State.

11,683. It is a small State, but a very important State. Bhopal is one of the best of our feudatory States, and the Begum did it of her own accord, because I suppose she saw it to be to her advantage to have her coinage put on the same level as ours. Have you ever heard of any other Native State doing it?—No, I know of no other Native State. I may mention that the articles which I have quoted bring out the fact that this is a new question in India that the natives are only now exercising their brains upon, and that they do not realise it altogether. I have no doubt that all of these are very loyal States, and that they would do as much as they could to come into harmony with the English rule.

11,684. But I do not think they would do what is not to their own advantage?—Quite so. I may say that, when I wrote this out, I had no intention of personally reflecting on the Government at all. They would, of course, do what they thought the right thing.

11,685. (*Sir J. Muir.*) You urge that India should abandon all idea of a gold standard. Is it not a fact that various countries, even in recent years, have adopted a gold standard?—It is a fact; and the results ought to have taught the Indian Government a lesson. I trust, indeed I am confident, that the consequences will be fully taken into account by this Committee, for the facts stand thus: The countries which in recent years have gone on a gold standard are Russia, Austria, Japan, Chili, and Peru. Their present positions are as follows:—Though Russia has accumulated upwards of 130,000,000*l.* in gold, this sum is apparently considered inadequate by her responsible financial advisers, for a high price continues to be paid in the market for gold for export to Russia. A few days ago, the London "Standard" said: "It is certain, at any rate, that M. de Witte's "position is a little shaken at present, owing to the "apparent impossibility of keeping up the compulsory "rate of rouble notes, in consequence of the poorness "of this year's harvest in Russia, and some of his "most zealous supporters are about to desert him." The Russian Agricultural Congress last year petitioned Government to give up the gold standard. As to Austria, though she has acquired 40,000,000*l.* in gold, the Government is keeping it locked up and out of free circulation, and gold continues at a premium. That is the position in Austria. She has never effectively brought this gold standard into operation. She has no gold currency; gold is at a premium to-day. Then, as to Japan, the Government are using all possible pretexts to avoid exchanging the silver yen into gold. The slightest scratch on the face of a yen is sufficient to cause it to be condemned as "defaced" and, therefore, inconvertible. The authorities have also in a most unjust manner recently altered their original decree by reducing the time given for presentation of silver yens for conversion into gold. Of the gold acquired for the conversion, such a large amount has already been exported from Japan, that the Government are replenishing their stock by having a portion of the last instalment of the Chinese indemnity shipped from England. But, while this "official gold stream" is flowing from England to Japan, the stream of gold from Japan still flows in shipments to Europe and America on account of banks and financial and commercial houses. Recently, an agitation has sprung up amongst the manufacturers and exporters of Japan for a bounty on Japanese exports. I may say that Japan started with 10,000,000*l.* of gold, and has replenished several times since. Then, as to Chili, the gold standard has practically broken down. A moratorium has been decreed, the printing press is to be utilised; a Bill authorising the issue of 50,000,000 paper dollars having been passed by the Chamber, and the premium on gold has reappeared, so that Chili's gold standard exists only in name. The Press unanimously attributes Chili's grave financial situation to her efforts to be "on gold." I am informed (this is information I got yesterday) on most reliable authority that a Committee appointed by the Chilian Government is now sitting to advise as to the steps to be taken to revert to a silver standard. Then, in Peru, the gold standard, which was somewhat "shadowy" from the first, now only exists in name. Those are the countries I refer to.

11,686. You consider that, while the mints of India remain closed to silver, India will be at an industrial disadvantage compared with China. Do you wish to say anything in support of that view?—Those who trade with countries where exchange questions arise, know that a relatively low exchange favours the internal industries in competition with rival producers and shippers. China has a great advantage now. The value of a piece of silver in China of the weight of a rupee is under 10*d.* as against 1*s.* 4*d.*, the token value in gold of a rupee in India, and, if the Government scheme were adopted, the value of silver would fall still further. Such conditions in China and other silver-using countries would tell against industrial India. I would draw attention to the following extract from a Consular Report, which, of course, I can refer to in exact detail. This is a Straits Report for 1897. These Consular Reports of China and the Straits are full of this question. This one says:—"The success of the experiment of "closing the mints in India has favoured exports "to that country while diminishing exports there- "from to places with a silver standard." I have not only that Consular Report, but I can give several showing that the effects are very great.

11,687. (*Sir C. Crosthwaite.*) Was that extract that you read with reference to the rice trade?—I think it is with reference to the general trade. The full paragraph is this: "From British India and Burma "there was a decrease in imports of over 4 million "dollars owing to smaller supplies being received of "rice and opium, but exports thither increased by "3½ millions. Larger exports of raw silk, areca nuts, "and fish, account for this. A large quantity of rice "also was exported to British India, amounting in "value to 1¾ million dollars over and above the value "exported in 1896. The success of the experiment "of closing the mints in India has favoured exports "to that country while diminishing exports therefrom "to places with a silver standard."

11,688. (*Sir J. Muir.*) Are there any other advantages which you claim for the reopening of the mints to silver?—There is one other advantage I have not touched upon. I believe it would tend to stop the illicit coinage of silver in India. The present conditions offer a great temptation to natives to illicitly coin full weight silver rupees of standard fineness, for they could make a handsome profit by it, and this, which might seem to them but a slight offence, would probably lead them further to make coins with less silver in them. I believe the present system has led to increased illicit coining. I am aware that Mr. O'Conor stated in his evidence he was not aware of any increase, but the Indian Mint Report for 1897, which Mr. O'Conor has doubtless since seen, states

* *Note by the Witness.*—I have referred to my correspondence and find that the expression with regard to the Maharajah of Kashmir is that he is "under tutelage." From this I naturally inferred that he was a minor under guardianship. I accept, of course, Sir Charles Crosthwaite's statement that the legal state of tutelage has ended, but the information sent to me is to the effect that the tutelage is really still existent, and that the Maharajah's renunciation of his rights of coinage was not voluntary

that there were increases in that year over the previous year in offences against the Mint Laws of 26 per cent. in persons brought to trial, and 45 per cent. convicted. Then in my correspondence I have had frequent references made to the thing as a fact, especially in the Native States, and also that the Zenana system of India lends itself to it a great deal. Of course, the biggest risk to the Government is upon the mintage of a perfect coin. There need be no deterioration at all to give profit. And, again, they are said to have dies from Europe.

11,689. (*Sir F. Mowatt.*) When you say dies, do you include machinery?—Machinery also.

11,690. Do you know by whom that is said?—Yes, but it is private, and I cannot give it.

11,691. (*Sir C. Crosthwaite.*) Has there been any proof of it? Has any machinery been taken?—I do not know. I cannot go further than mentioning the fact that I have have had correspondence in the matter. You must take it for what it is worth.

11,692. You cannot work milling machinery without considerable noise? — Oh, yes, it is all quiet; and, of course, there are many operations which can be carried on subsidiary to that of milling, and which would make a cloak for the milling operations. One person suggested the continuing of a shaft through a Zenana wall.

11,693. Did your correspondent give you any specific instances?—He has given me a great many cases where laws attempting to prevent the importation of things have been evaded, especially in the matter of arms. I may say that this came out in reference to Sir John Lubbock's proposal of a seignorage—that it would lead to the evasion of the law.

11,694. (*Sir F. Mowatt.*) I think I must remind you that the question put to you was whether your informant, whose name you are unable to give us, (and not unnaturally), supplied you with any specific instances within his knowledge of machinery being in the possession of coiners?—He referred to this very specifically.

11,695. But did he give you an instance?—No. Of course, the difficulty of these things is very great.

11,696. I only want the fact. Did this correspondent—whose good faith I do not for a moment question, and I do not question at all the propriety of your quoting what he says—give you any specific instance of machinery being in the possession of native coiners?—He declared that it was being done. He gave me the details of the way in which the thing was worked.

11,697. The details of a particular instance?—Of course it would be.

11,698. (*Sir C. Crosthwaite.*) Which had been detected?—That I cannot say.

11,699. (*Sir J. Muir.*) Do you consider that a combination between the United States and India might be relied upon to give a steady exchange of 1*s.* 4*d.* for India?—Certainly. As I have stated, before the closing of the Indian mints silver never fell below 38*d.* per ounce, and, besides consumption in the arts and general demand, the chief supports it had were the open mints of India and a purchase by the United States Government of a limited quantity per annum under the Sherman Act (54,000,000 ounces per annum). Under the plan now proposed, practically all the other demands for silver would continue, the Indian mints would again be reopened, and the open mints of the United States would constitute an active and potential demand for an unlimited quantity.

11,700. Assuming the alleged stringency of last year to have been a fact, in what way would the Government scheme aggravate the stringency?—The Government scheme includes the melting of silver rupees. As silver rupees are necessary to move the crops, the reduction in the volume of silver rupees would entail extra stringency. It might be alleged that, under the Government scheme, gold would provide every requirement for India, but, even if the Government provided gold or attracted gold—which I consider doubtful—that metal would not take the place of rupees. This is a memorandum drawn up by a gentleman you, Sir John Muir, know very well, who was many years in India, and I discussed the thing very fully before coming here, and he sent me a note referring to it. It shows that the place which gold might have been expected to fill is already fully occupied. This is what he says——

11,701. (*Sir F. Mowatt.*) If you will put it in as your own evidence, we will take it?—I will do so. This is showing the internal working of trade in India. "Payments by one trading centre to another "are made in native shroffs' hoondies, or drafts, "often the draft of a shroff in one place, as Calcutta, "on his firm or agent, as the case may be, in another, "as, say, Lahore, and these drafts or cheques are "passed with endorsement from one to another— "frequently through many hands before being finally "presented for payment. The only other means of "discharging internal debts at a distance, otherwise "than in coin, is through the Government Treasury "or the Presidency banks and their agents, which "are, of course, only to be found in the chief centres, "at great distances apart. Without this system of "native banking—which has, no doubt, been in operation for centuries—it would have been impossible, "with either gold or silver coin, for trade to a tithe "of the extent of the actual movements to have been "carried on. In times of war, famine, or other disturbing "causes, payments for produce even in the Presidency "cities have had to be made in silver coin at scale, "as the produce or merchandise was weighed out, and "throughout India generally it is doubtful if any but "men of wealth and standing are accustomed to pay "or receive payment in other than coined rupees. "The Burmese trade, when we first annexed Rangoon, "was only carried out by payment in coined rupees "for the rice, &c. as weighed and delivered, and to "this day the Rangoon exports are paid for by the "annual large shipments of rupees in November and "December from India or elsewhere. It is this "annual movement that, it is said, has caused the "present rise of 1 per cent. in the Bank of Bengal "rate. While India, therefore, has had for centuries "an established system of internal exchange, not "dissimilar to our own, it has had to be accompanied "with a large floating currency in silver coin to "finance the constantly recurring harvest, which "currency must be annually added to, to meet the "requirements of the rapidly increasing population. "For large payments, India has always had suitable "internal exchange arrangements, and it is for the "immense aggregate of small payments that silver, "and only silver, is required."

11,702. Do I understand, from the memorandum that you have read, that you consider that only a tithe of the larger financial transactions in the internal trade of India is carried on by silver?—The movements of capital into the centre are by the native bankers, and are in silver. Besides the movements of silver, there is a movement of capital between the centres which is settled by these shroffs' notes.

11,703. Then a very large proportion of the larger transactions are carried on by the shroffs' drafts?—Yes.

11,704. Now, let me refer you to a paragraph of your original statement, in which you say, "In the "vast internal trade of India, which is of infinitely "greater extent, they are almost, if not altogether, "absent; money, in the primary form of coin of "intrinsic value, serving all the purpose of trade, both "as medium of exchange and standard of value." Is that consistent with saying that nine-tenths of the larger transactions of the internal trade in India are carried on by these shroffs' notes?—It is the movement of capital into the centres, where it is dispersed, that I was referring to.

11,705. That is your explanation?—Yes. I think I have enumerated all the points to which I wish to call attention; but I would add that no other remedy

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which has been placed before the Committee, besides that which I urge, meets all the requirements of the natives, all the requirements of the importers and exporters trading with India, and also all the requirements of the Government. This plan was put before the Committee by Sir Forbes Adam, who does not belong to the monetary party with which I am identified; but, as I have stated, I strongly recommend its adoption, and, so far as I have had an opportunity of judging, I believe it has the cordial support of all parties in Manchester. The adoption of the plan of settlement which I recommend would give India the great benefit of a par of exchange with both gold and silver using countries—a benefit which no other remedy would give. And I may add that the operation of the plan would secure for this country also the benefits of a par with gold and silver using countries. I may also say that, whereas under any gold standard scheme the money of the people of India must be dishonest coins, the plan I recommend would once more give the people honest money.

11,706. (*Sir C. Crosthwaite.*) I would like to understand your exact position. You say you would reopen the mints under certain conditions, namely, that an international agreement was arrived at by which silver was fixed at 1*s.* 4*d.*?—Yes.

11,707. Am I right in supposing that, if that international agreement was not arrived at, you would not reopen the mints?—Well, there are some witnesses who would go the length of saying that they would. I propose it with the view of having concurrent mintage with other countries.

11,708. But, suppose we cannot get that, are we to reopen the mints at all risks?—There is no necessity for risks. In this I am speaking for the Chamber.

11,709. What do the Chamber say?—The Chamber say, they would wait for suitable conditions.

11,710. Then we should have to wait, as at present, an indefinite time, until these suitable conditions can be obtained?—Yes; but I believe, if this Committee favour a plan of this kind, these suitable conditions would very soon evolve themselves.

11,711. (*Sir F. Mowatt.*) The essential condition, as I understand, being the maintenance of 1*s.* 4*d.*?—Yes.

11,712. (*Sir C. Crosthwaite.*) Do you think that, if those suitable conditions were obtained, there would be a gold currency in India?—I think it would simply go back to the old silver currency.

11,713. And the rupee would be at 1*s.* 4*d.*?—At 1*s.* 4*d.*

11,714. What would be the difference between that and the proposal to fix the rate at 1*s.* 4*d.* by adopting the gold standard?—As regards India, you mean?

11,715. Yes, as regards India?—It would bring up China to the level of India; they would be in the same position with all silver countries.

11,716. Is there any other advantage to India in it?—It would be also in a definitely fixed position, without the risk of management, and it would be automatic.

11,717. If the gold standard were effectively established, that latter advantage would be obtained, would it not?—But I hold that, doing it in the way you are doing it, you have no certainty in continuing it.

11,718. We are not doing anything: you mean, if a gold standard were established in the way the Government of India has proposed?—Yes, if it were successful, but I hold that you would not gain confidence. I bring out that point very fully—you would not gain confidence, because it would be a managed currency.

11,719. Besides that, you object to having a gold currency?—Yes, because I think it is impossible. I may give an instance from my own experience in India. In the year 1895, when I was in India, travelling with my party from Agra to Jeypore, I happened to run short of small money. We had some refreshments at a station on the way, and our bill came to seven or eight rupees. I tendered the native servant a gold sovereign, but he would not look at it. Then the manager was brought on the scene, and he said he could only give 10 rupees, the rate at the time being 18 rupees in Calcutta. That shows the disinclination of the people to use gold in small affairs.

11,720. Gold is not legal tender there?—No. That was, of course, practically near the centre.

11,721. With regard to the extracts that you read from native papers, I wanted to ask you whether you have read those as mere extracts, or do you back them?—Not at all. I simply put them in to show that there is a very strong feeling among the natives of India against a gold standard.

11,722. As regards the assertion that the Government of India is depriving a vast mass of the natives of India of their wealth, do you back that assertion, or not?—I say positively, it does. My object in putting in those extracts was this: It has been asserted that there is no movement or feeling among the natives of India in regard to this matter.

11,723. (*Chairman.*) Asserted by whom?—By Mr. Arthur and Mr. O'Conor, as I have already stated. This is an article rebutting that, and pointing out that that paper itself had often commented upon that subject before.

11,724. (*Sir C. Crosthwaite.*) As regards the expression of native opinion, I should like to read an extract from a memorandum by Joy Gobind Law, Member of the Viceroy's Legislative Council. He says: "Much has been made of the losses which the poorer "classes of the people have been put to, because of "the appreciation of the rupee, in connexion with the "silver ornaments they were possessed of before 1893, "but I have never heard of any serious or widespread "complaints on this head, and, whatever their losses "may have been at the commencement, it is undeniable "they were not in operation since; and as they, the "people, have been during the last few years in a "position to secure a greater quantity of silver bullion "for a given number of rupees than they ever were "before, no doubt this has been a source of pleasure "and enjoyment to them." Now you wrote a book, I think, on the "Disturbance of the Standard of "Value" in 1896?—Yes.

11,725. I do not want for a moment to try and convict you of inconsistency, but I want to ask you if you still hold this view. On page 132 you say: "If "the buying power of India's money internally were "to become less than formerly, through a much higher "ratio than 15½ to 1 being permanently established, "there would then be a palpable rise in the cost of "living to the poor native, who has always such a "narrow margin between what he earns and the "bare maintenance of his existence"?—Of course this silver question has been a growing question.

11,726. I want to know whether you hold that view still, or not?—Yes. I quite hold these views still.

11,727. Then we are in this dilemma, that, if we allow the rupee to depreciate, we are robbing the poor native; and, if we try to raise the value of the rupee, or to keep up the value of the rupee rather, (which is all the Government of India propose to do), then also we are robbing the poor native?—This was in view of different circumstances altogether.

11,728. But, as regards this question of the loss to the native community, which of these two views are we to take?—There are not two views. This is a different analysing of the question altogether, and from a different standpoint. I was in that book balancing the possibilities—what would be the effect of fixing a higher ratio than 15½ to 1; and I tried to demonstrate that the higher the ratio fixed, that is, the lower the gold value of the rupee was permanently fixed, it would be an injury to the natives, and I hold that view still. That is from the old point of view, you will remember, when silver and the rupee were one thing, and it is at a time when prices had not fallen in India at all; you must bear that in mind.

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11,729. (*Chairman.*) Do you say prices had not fallen in 1896?—They had not fallen to the figure they are now.

11,730. (*Sir C. Crosthwaite.*) Had prices risen?—This was published in 1893.

11,731. From the bi-metallic standpoint, the same facts seems to suggest opposite conclusions?—It is a very complex question, and various views may be taken of the circumstances in India. The mints are closed to silver, and there can be no bi-metallic comparison.

11,732. I do not desire to press you at all about it. Now, you attach great value to a stable exchange, do you not?—I do; very great value.

11,733. When you say that you would reopen the mints, are you prepared to throw over all the advantages which you think belong to a stable exchange?—By no means.

11,734. What do we get instead?—The question will be settled. This question has been going on for the last 20 years. The Bi-metallic League has never gone in for a particular ratio. There was a desire on the part of many, for many years, to go back to the old ratio, and it could have been done. Now, in concert with many friends who were formerly opposed to any arrangement with other countries, we are co-operating in this effort to secure such concurrent mintage in other countries on such a basis as will enable India to open her mints to silver and yet secure a stable rupee at the gold value which the Indian Government desires, and thus settle the question.

11,735. The former state of things, when the mint was open, you regard as injurious to the whole community—to the merchants, and to the people, and to the Government, and to the manufacturer?—Yes.

11,736. Could the manufacturer recover his loss at all, or guard himself?—At the beginning of the question. You must remember that the whole trade of India has changed under the conditions that this unsettled exchange has brought about.

11,737. I am dealing with the unsettled exchange. With the unsettled exchange, could the Manchester manufacturer protect himself, in the same way as the merchant could, by buying exchange forward?—No; the manufacturer could not protect himself against exchange variations in the market.

11,738. Then, why does the Manchester Chamber of Commerce now advocate open mints, and a return to that state of things?—A return to what state of things?

11,739. The Manchester Chamber of Commerce, I now understand, want the mints reopened?—Yes, with a stable exchange.

11,740. (*Chairman.*) With a ratio fixed?—With a ratio fixed.

11,741. Suppose no ratio is fixed, what do they want? I want really to know what the Manchester Chamber of Commerce wants?—We want open mints, and the way of getting open mints is to provide for the difficulty of the Indian Government.

11,742. I agree with all that; but I want to understand this. You say that the Manchester Chamber of Commerce is prepared to run all the risks of the mints being opened. Are we to take that as their opinion?—They do not say so.

11,743. But you said so in reply to Sir Charles Crosthwaite?—I said they would wait for suitable conditions. I personally suggested conditions.

11,744. I want to get from you exactly what the Manchester Chamber of Commerce meant?—I think it is not fair to put it in that way. I want the mints opened with an arrangement of concurrent mintage which will secure a steady exchange.

11,745. But suppose you cannot get that arrangement?—That is a further consideration.

11,446. Then the opinion of the Manchester Chamber of Commerce which you gave us yesterday in favour of reopening the mints depends on that reopening being accompanied with a fixed ratio?—They do not say that exactly.

11,747. But you say so?—Yes. That is the way it could be secured.

11,748. But, if it could not be secured, what then?—That is a matter for further consideration.

11,749–50. Is that the answer of the Manchester Chamber of Commerce to this Committee?

(*Sir F. Mowatt.*) I think Mr. Barclay has already told us this morning that he himself regards the maintenance at 1*s.* 4*d.* as an essential condition of the opening of the mints. The rupee must be maintained at 1*s.* 4*d.*?

(*Witness.*) Yes.

11,751. (*Chairman.*) And that must be done by statute—by law?—Yes, by enactment based on an international agreement.

11,752. (*Mr. Le Marchant.*) You alluded to the Argentine trade. I think you have had considerable experience in the Argentine trade?—Yes.

11,753. You referred to the circumstances in 1884. Now, do you consider that, when the Argentine paper dollar was falling in value, and prices were rising, the country was on a sound basis of prosperity?—No.

11,754. What is the present position? Has the dollar been increasing in sterling value?—Yes.

11,755. Do you think the country is at the same time concurrently reaching a sounder basis?—Yes.

11,756. What would you view as the essential conditions of that improvement?—Coming back more or less to the old value of the dollar. I may say, of course, when the currency is unsettled, a paper currency such as the Argentine currency, if it settles at a given point for a length of time, people are very well content to go on with it and they would not care for its either going up or going down; they begin to believe in that as the point; but then it is the great falls that derange prices, and that no doubt favours the exporter for a long time. Of course they do adjust themselves, but it takes a long time.

The Witness withdrew.

Professor ALFRED MARSHALL called and examined.

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11,757. (*Chairman.*) You are Professor of Political Economy in the University of Cambridge?—Yes.

11,758. What is the general nature of the evidence you are willing to give to this Committee?—In trying to make up my mind as to what currency arrangements are best for India, I have been specially hindered by my ignorance as to the nature and extent of the business relations between the country at large and the centres of European commerce in Calcutta and other large towns. But, on being informed that the scope of the Committee's enquiry extended beyond questions of practical administration, and raised some broad issues of economic principle, and that I might be excused from expressing opinions on questions that required much knowledge of India, and might confine my evidence to the general relations of currency and trade, I have ventured to accept the invitation with which the Committee have honoured me.

11,759. Then, in questioning you, we will confine ourselves to the limits which you yourself have laid down. I will ask you first, what do you consider to be the relation between the volume of currency and the general level of prices in a country?—I hold that prices vary directly with the volume of currency, if other things are equal; but other things are constantly changing. This so-called "quantity theory of the value of money" is true in just the same way as it

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is true that the day's temperature varies with the length of the day, other things being equal; but other things are seldom equal. This theory has been the cause of much controversy; but it has never been seriously denied by anyone who has taken it as a whole, and has not stopped short, omitting the words "other things being equal." The fact is that in every state of society there is some fraction of their income which people find it worth while to keep in the form of currency; it may be a fifth, or a tenth, or a twentieth. A large command of resources in the form of currency renders their business easy and smooth, and puts them at an advantage in bargaining; but, on the other hand, it locks up in a barren form resources that might yield an income of gratification if invested, say, in extra furniture; or a money income, if invested in extra machinery or cattle. In a primitive state of society, even in one as far advanced as that of India, only the rich care to have much of their resources in the form of currency. In England all but the very poor keep a good deal; the lower middle classes keep a relatively very large quantity; while the very rich who pay all their tradesmen by cheques use relatively little. But, whatever the state of society, there is a certain volume of their resources which people of different classes taken one with another care to keep in the form of currency; and, if everything else remains the same, then there is this direct relation between the volume of currency and the level of prices, that, if one is increased by 10 per cent., the other also will be increased by 10 per cent. Of course, the less the proportion of their resources which people care to keep in the form of currency, the lower will be the aggregate value of the currency, that is, the higher will prices be with a given volume of currency.

11,760. How may this relation between the volume of the currency and the general level of prices be permanently changed?—It may be changed permanently, first, by changes in population and wealth, which change the aggregate income; secondly, by the growth of credit agencies, which substitute other means of payment for currency; thirdly, by changes in the methods of transport, production, and business generally, which affect the number of hands through which commodities pass in the processes of making and dealing. These causes are specially difficult to trace in India. In some parts of India the local informal petty cash seems to have fallen much out of use, and in other ways the work of the recognised currency has been increased. On the other hand, the rapidity of circulation of currency has also been much increased, and there has been a somewhat extended use of notes.

11,761. How may the relation be temporarily modified?—Passing by the effects of fluctuations and commercial credit on prices, it seems specially important, with reference to the Indian currency problem, to note that the level of prices which a given volume of currency will sustain, is liable to be affected by any lack of trust and confidence in the currency itself.

11,762. Temporarily affected or permanently?—Both, I think. The lower is the credit of the currency, the lower will be the share of their resources which people care to keep in the form of currency; the more, therefore, the currency will be depreciated, and the higher prices will rise. Here I would like to separate what appears to be agreed amongst students from what is controversial matter. I think it is agreed that, if the credit of a currency falls, its value falls relatively to commodities, even when there is no change in its volume. I think it is agreed that the history of the assignats and the American currency during the time of the forced paper currency shows that. I think it is also agreed that there is something fiduciary in the value of gold and silver; that is, that part of their value depends upon the confidence with which people generally look forward to the maintenance and extension of the monetary demand for them. Of course, their value is, in the long run, controlled by cost of production; but that influence is remote, and new supplies are always small relatively to the existing stock. And so fluctuations of their value are mainly governed at any time by currency legislation, actual and prospective. No one thinks of gold as likely to be demonetised; but, if there did appear to be any real prospect of that, everyone would agree that its value would fall, since the sole demand for it then would come from the industrial arts; and everyone would admit the same to be true as regards silver. But whether, in fact, silver is at the present time in that condition is a controversial matter. My own opinion is that silver just at present, at the particular time at which we are, is not as good a metal to be used as currency as it was in earlier times; nor as good a metal as it may become again in later times, when the East—or, since we must include Africa and South America—when the non-Western world has got into the habit of using currency for the ordinary transactions of life, and has not got to the stage at which gold would be likely to be used very frequently.

11,763. What do you consider to be the true relations between currency, bank money, and real capital?—Currency and bank money are both forms of command over real capital. They are commonly called capital; but they are really command over capital, in my opinion.

11,764. You mean the power to obtain capital?—Yes. Currency, especially legal tender, is a direct command; other forms of credit paper and bank money are command one stage further removed. Bank money can go by telegraph, but real capital must pass through the hands of the Custom House Officers.

11,765. Is the interest on permanent investments governed mainly by the relation in which the stock of real capital stands to the demand for its service?—That is my opinion. Assuming for the moment that there is no question of any change in the volume of the currency, the interest on investments is governed by the relation between the supply of capital and the need for services of capital by borrowers—whether thriftless borrowers who desire to anticipate future incomes, or thrifty borrowers who desire to use it as a means of creating future income, and who purpose to turn it into implements, irrigation works, railways, &c. If real capital is scarce, those who need it must pay a high price for it, and, if that high price does not call forth an increased supply of real capital either from home resources, or by borrowing from abroad, the industries of the country must be capital-starved; and she will not be able to keep her place in the march of progress. But now, assuming the arts of production to remain stationary and that there is no change in the pressure of population on the means of subsistence, a rise in prices will enable the borrower to pay interest at less outlay and to pay back capital at less outlay than would otherwise be the case. It is important to lay stress upon there being no change in the efficiency of production, because this goes to the root of the controversy between those who think it would be right to keep the purchasing power of money constant relatively to commodities, and those who do not. The pith of the matter may be put by an illustration. A person who borrows a peck of green peas in April, and returns two pecks in June, has paid no interest at all, he has not even returned the corpus of the loan. This is, I think, beyond question; but the application of the principle contained in it to the equity and expediency of currency legislation is a matter of controversy. It seems to be clear arithmetically that, if a man borrows 100 rupees under contract to pay back 105 rupees at the end of the year, and if meanwhile the purchasing power of money has risen 10 per cent., he cannot get the 105 rupees which he has to pay back without selling one-tenth more commodities than would be sufficient for the purpose at the beginning of the year. Assuming, that is, that the things which he handles have not changed in value relatively to things in general, he must sell at the end of the year commodities which would have cost him 115 rupees 8 annas at the beginning, in order to pay back with interest, his loan of 100 rupees, and, therefore, he has

lost ground unless the commodities have increased under his hands 15½ per cent. While nominally paying 5 per cent. for the use of his money, he has really been paying 15½ per cent. On the other hand, if prices had risen so much that the purchasing power of money had fallen 10 per cent. during the year, and he could get 100 rupees for things which cost him 90 rupees at the beginning of the year, then, instead of paying 5 per cent. for the loan, he would really be paid 5½ per cent. for taking charge of the money. This illustrates the principle that the general rate of interest will be raised by a gradual and anticipated fall in the value of currency relatively to commodities, and that it will be lowered by a rise in that value, even where there is no change in the conditions of general demand and supply. The high rate of interest on permanent investments in India seems to be attributable partly to a relative scarcity of real capital, and partly to the continuous fall in the value of the rupee relatively to the currencies of the West. This matter has been long discussed, but latterly, within the last ten years, it has obtained increasing attention from economists. In particular, one of the ablest of the younger school of American economists, Mr. Fisher of Yale, has written a book on "Appreciation and Interest," which bears very closely upon this matter. If a diagram be made out, showing the average rate of market discount in London, it will be found, as a matter of fact, that the high rates do go with high prices. That is contrary to a good deal of what is assumed *à priori*, but I think it is really quite consistent with the theory when properly developed. I am not sure that it might not be worth while for the Committee to reproduce some of Mr. Fisher's tables which bear upon this subject. He takes the question of rupee paper only incidentally; but the table which he has worked out seems to show that the interest on rupee paper, reckoned at purchase price, is very little higher than that on the Indian gold loan before 1874; then it fell to about ·1 per cent., then it rose rapidly, with the distrust in silver, to ·7 per cent., and it has remained about that level to 1895, the end of Mr. Fisher's table, except during the years 1888 and 1889, when it was 1 per cent.

11,766. The rise of value, do you mean, or the interest?—The difference in the annual return to a person who invested 1,000*l.* in rupee paper, and a person who invested 1,000*l.* in the Indian gold loan, was ·1 per cent. in 1874, then it rose to ·7 per cent. and it has remained about that for the greater part of the time.

11,767. Any tables that you think would be desirable and would illustrate your own evidence, put them in at your pleasure in your evidence?—Here is Mr. Fisher's table. It is carefully obtained by averages from many entries, and with due allowance, in the case of repayable bonds, for the time they have to run to maturity.

RATES OF INTEREST REALIZED FROM DATES NAMED TO MATURITY OR IN PERPETUITY.

—	Silver.	Gold.	Difference.	Exchange on India. Pence per Rupee.
1865	4·3	4·1	·2	23·2
1868	4·3	4·0	·3	23·0
1870	4·3	4·0	·3	23·6
1871	4·1	3·8	·3	23·2
1872	3·9	3·7	·2	22·6
1873	3·9	3·7	·2	22·4
1874	3·9	3·8	·1	22·2
1875	4·0	3·6	·4	21·9
1876	4·1	3·7	·4	20·5
1877	4·1	3·7	·4	20·9
1878	4·2	3·9	·3	20·2
[illegible]	4·4	3·7	·7	19·7
[illegible]	[illegible]	3·6	·7	20·0
[illegible]	[illegible]	3·4	·6	19·9
[illegible]	[illegible]	3·5	·4	19·5

—	Silver.	Gold.	Difference.	Exchange on India Pence per Rupee.
1883	4·1	3·4	·7	19·5
1884	4·1	3·3	·8	19·5
1885	4·1	3·5	·6	18·5
1886	4·1	3·5	·6	17·5
1887	4·1	3·4	·7	17·2
1888	4·1	3·1	1·0	16·5
1889	4·1	3·0	1·1	16·5
1890, 1st half.	4·0	3·0	1·0	17·6
1890, 2nd half.	3·9	3·1	·8	19·3
1391	3·8	3·1	·7	17·1
1892	3·9	3·1	·8	15·3
1893	3·9	3·0	·9	15·0
1894	3·9	3·0	·9	13·5
1895	3·4	2·8	·6	13·4

11,768. Now, what do you wish to say to us as to discount?—Other things being equal, interest for short loans will, of course, oscillate about the rate of interest to be obtained for permanent investments, allowance being made for the convenience, in some cases, to the lender of being able to recover quickly command over the capital which he has lent. But the rate of discount is specially sensitive to a casual stringency, and, in spite of the internationality of a certain class of bills, discount varies more locally than interest on permanent investments. Mr. Beckenridge, in the "Political Science Quarterly," for March, 1898, has compared the rates of discount in different parts of America, which, like India, is a continent; and he has shown that there is a steady rise in passing from the Eastern States to the Middle, thence to the Southern, thence to the Pacific, and thence to the Western.

11,769. Does a change in the volume of currency in a Western country alter the rate of discount temporarily or permanently?—The whole theory of discount is full of paradoxes, because the increase of prosperity sometimes raises discount, and sometimes lowers it. No interpretation can be given of a rise in discount, unless it is known to what cause the change is due. Speaking generally, discount will rise in consequence of a greater willingness of borrowers to borrow, or of a greater unwillingness of lenders to lend: the first generally indicates increased confidence, and perhaps increased prosperity; the latter generally indicates the opposite. Looking at the special case of the effect of an increase in currency on the rate of discount, the cycle in the West seems to be this. The new currency or the increase of currency goes, not to private persons, but to the banking centres; and, therefore, it increases the willingness of lenders to lend in the first instance, and lowers discount; but it afterwards raises prices, and, therefore, tends to increase discount. This latter movement is cumulative. The loans to one man make him a good customer for others at good prices, and make them therefore eager to borrow, and that makes them good customers; and so the movement grows. Thus, a fall in the purchasing power of money tends, after a while, to raise the rate of discount as well as the rate of interest on long investments. And, though the matter may be regarded by some as open to question, I myself go with those who hold that statistics bear out the *à priori* probability that, first, the rates of discount would generally be higher when prices are rising than when they are falling, because the borrowers would be eager for loans; and secondly, that they would generally be higher during periods of high prices, than in periods of low prices; not because one is the cause of the other, but because both are the results from the same cause—the prevalence of a confident spirit in the business world. Those periods are liable to be broken in upon by cyclones of distrust, and those cyclones raise discount for a time to the very highest levels of all. They are accompanied by

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falling prices, and a little later are followed by falling discounts. There does not seem to me to be any single and uniform relation statistically or *à priori* between the rate of discount and the rate of Exchange.

11,770. How far do you consider that Western experience in this matter is applicable to India?—I am afraid that my answer to this question must necessarily be rather long. The fact is that India, being governed by England, has necessarily had its affairs discussed largely by Englishmen, who are apt to take their opinions of what goes on in India very much at second hand. Sir Henry Maine gave countenance to the opinion that custom ruled the economic arrangements of India; and, in a certain sense, that is no doubt true, but I think that the doctrine requires to be analysed. There is no doubt that custom does rule the general tenor of life in India, but it does not, in my opinion, rule prices. The matter is one of greater importance than it looks. The common opinion of the world on Indian matters is formed largely on the basis of statements made by a few prominent English writers on currency, who have claimed to speak with special knowledge of India, and have been received as authoritative by foreign economists. I will quote from one writer. He is an able man, much travelled, and with great knowledge of affairs; and he has attained a position sufficient to cause him to be selected as one of three examiners for an important international prize relating to bi-metallism a few years ago. He says: "Prices have not fallen for the reason that gold is scarce——"

11,771. (*Sir F. Mowatt.*) Are you speaking of Indian prices for the moment?—No, he is referring to prices in England. He says:—"Prices have not fallen "for the reason that gold is 'scarce,' nor will they rise "because of an increased production of gold, if meanwhile the exchanges with silver-using Asia continue "to fall. The exchange value of any bushel of wheat "in Mark Lane has for 15 years past approximated, and "will approximate, an ounce of silver bullion; because "with open mints an ounce of silver bullion is $2\frac{1}{4}$ "rupees, and $2\frac{1}{4}$ rupees per bushel represents cost of "production and exportation from the Punjab wheat "fields. If the United States were to melt and sell "her silver currency, and if the Indian mints were re"opened, then, even if the production of gold sextupled, "the price of wheat would still fall with each "fresh fall in the gold price of the ounce of silver." I quote from a letter printed in the "Economist" of 15 September 1894. That doctrine, in a somewhat less extreme form, is the basis of many of the ablest and best known arguments in favour of the adoption of bi-metallism at such a ratio as would lead to a general rise of prices. When I was at Oxford 15 years ago, I had to study Indian prices; and I began a set of inquiries which have included the making of a very large number of diagrams, based chiefly upon Mr. O'Conor's figures. I have many of them here, but they would probably be too extensive to be printed. I would like to state, broadly, the results that I have deduced from them. I should say I have confirmed those results by many conversations with natives of India and with Englishmen who have been engaged in administering India. The results are, first, the chief purchases and sales in India are of grains, and the variations from year to year in the local prices of these in any one place are many times as great as in England. They are commonly 200 or 300 per cent., sometimes 400 per cent., in the course of one or two years. Secondly: They are greatest in those grains which are not affected by European trade. Here is one example. (*For diagram, see Appendix.*) That represents the movements of the annual price of jawar, which Mr. O'Conor tells me is the most important of all those food grains which are not exported to Europe, and on the prices of which, therefore, the so-called disturbing influence of gold does not operate.

(*Sir J. Muir.*) There seem to be enormous fluctuations there.

11,772. (*Chairman.*) The greatest variations, as I understand, are in grains which are unaffected by European trade?—Yes. I have a number of diagrams here which would support these propositions, if necessary. Thirdly: For any one grain they are generally the largest in those districts which are most remote from European influences. Fourthly: They are much diminishing under the influence of European trade. I have here a diagram which was published in the statement exhibiting the "Moral and Material Progress of India," for the years 1882–83. It is interesting in two ways. It shows that the variations in the prices of grains were very much greater earlier in the century than now; and that the average level of prices of grains has very much risen. I believe there is some doubt as to whether the details of measurement are all perfectly correct, but I think there can be no doubt as to the general truth of the picture which they present. Fifthly: As that figure shows, the purchasing power of silver in terms of grain has fallen throughout the centuries. Sir William Hunter says, that it was "two or three times greater" at the time of Akbar's land settlement than it is now; and it has fallen fast during the present century, the fall being broken only by periods of bad harvests. Sixthly: In consequence of a rapid change in the conditions of productions of cotton and iron, combined with a lessened cost of transport, the rupee price of the chief imports into Calcutta after 1873 fell faster than the average gold price of commodities in England. The assertion of some advocates of bi-metallism that the fall in the gold price of commodities in England was largely caused by the forcing down of prices by the Indian customers fits most ill with that fact. (*See diagram in Appendix.*) There has been a controversy as to whether Mr. Sauerbeck's index number does not exaggerate the fall in prices since 1873. Certainly there is no other important index number which shows so great a range. Neither that of the "Economist," nor the one which is generally followed abroad, Dr. Soetbeer's, shows so great a fall. But, to give the argument to which I am opposed every advantage, I have taken Mr. Sauerbeck's index number for average gold prices in England. That shows the fall in the rupee prices of the chief Indian imports at Calcutta down to 1886 to have been considerably greater than the fall of average English gold prices. After 1886 there is a rise in these rupee prices. Seventhly: The average prices of all goods in India since 1873 have been so disturbed by bad harvests, especially in 1877 to 1879, that their variations from year to year bear no resemblance to English prices. For this purpose, as Mr. O'Conor has not supplied us with a general index number, I have fallen back on that which was compiled by Mr. Atkinson from Mr. O'Conor's figures, and published in the "Statistical Society's Journal" for March 1897. That shows no relation to the English curves of yearly variations; but, on the whole, it is a curve of greater disquiet. If we look, on the other hand, at the broad movements of prices, it seems to be true that about 1885 a rise in normal rupee prices set in, by which I mean a rise not especially attributable to bad harvests. This is what the old-fashioned economic theory would have led us to suppose, because, when we watch the movements of the gold prices of silver and the gold prices of commodities in England, we find that the average level of gold prices of commodities was falling very fast until 1885, and the gold price of silver was not falling specially fast during that time—not so fast as afterwards. After that time the gold price of silver did fall somewhat faster, and the English gold prices did not fall fast; that is to say, the English silver prices rose fast. By English silver prices I mean the prices which would have to be paid in London for commodities in general if prices were reckoned in bar silver. Eighthly: The average price of Indian exports has kept fairly close to the general movements of English prices expressed in silver. If you draw two curves representing, (*a*) rupee prices of Indian exports in Calcutta, as

given by Mr. O'Conor, and (*b*) Mr. Sauerbeck's gold prices for England, divided by the gold price of silver, so as to represent the silver prices of commodities in general; you will see that, speaking broadly, the two curves do move together; the general relation between them is that which would have been anticipated by economists generally. Ninthly: The London prices of wheat and silver have seldom moved closely together; that is specially important with regard to the statement I recently quoted about an ounce of silver and a bushel of wheat. When they have done so, separate causes for these movements can generally be found. For instance, a spell of bad weather in July 1890 came about the same time as a change in the United States currency policy; these causes raised the prices of wheat and silver; and the subsequent fine weather lowered the prices a little while before the speculation in silver collapsed. And, indeed, when they have moved more or less together, it is as often as not the case that the movement in the price of wheat has gone before that of silver; and Mr. O'Conor has told you that the Calcutta price of wheat follows the London price. In evidence of this I will show diagrams representing the average prices of wheat and silver in London for each year of this century, and the prices for each week during the last twelve years. As to the interpretation of these facts, any suggestion that I make must be highly speculative. I fancy I see a different character in the curve prices for England and for India. I think that this difference corresponds to the fact that the production in England is chiefly—I will not say capitalistic, because that is a matter of secondary importance—but chiefly commercial, chiefly the production by people of things to sell to others. I should expect that, in contrasting a country of that kind with a country in which production is largely for domestic consumption, variations in prices would show themselves chiefly by sudden jumps up, in consequence of bad harvests, from a normal level; and I should expect that those variations in production which come, as they do in England, through the influence of changes in credit and the confidence of farmers that wheat was a paying crop, would be gradual and that you would get more rounded shapes in diagrams showing variations of annual prices. That is, I should suppose that you would get, in the case of a primitive country, a tolerably flat base with sharp peaks; and that in an advanced country you would get more nearly uniform waves. Jevons, in page xiv. of the Introduction to his "Investigations in Currency," still held something of the old doctrine which, as a young man, I used to hear in England, that you can never get prosperity in general business until you have a succession of good harvests. Jevons laid stress upon the fact that the stock of grain was so much the most important part of movable capital even in England, that it was to be expected that harvests should control the rate of discount and the activity of business generally. But wheat supply is less important now, and the Registrar-General has laid stress on the fact that the variations in the marriage rate no longer pay any attention to the price of corn. One would expect that curves representing movements of the price of corn in England early in the century would have shapes more corresponding to those for India now than those for England at the present time; and that appears to have been the case. I would venture also to throw out a suggestion of a very hazardous character. I have seen a great deal of evidence before various Commissions, this included, to the effect that the ryot knows nothing of what happens in Calcutta, that he knows nothing of Exchange, and that prices inland cannot be directly affected by anything that happens at tidal waters. It seems to me that it is possible that, though the ryot knows little or nothing of any disturbing causes coming across the sea; and although almost every important movement in price in any district in India is due to local causes; yet, the power of friction being great, when the influence of European trade comes upon the side on which the friction is working, then that influence may tell. And, seeing that the broad movements in upland prices (as distinguished from their annual oscillations) appear to conform more closely to the general relations of gold, silver, and commodities in world markets than I should have supposed beforehand; I am inclined to think that the cause may be this, that, when local circumstances have raised very much the price of any particular grains, then European influences may help friction and prevent them falling back as low as they otherwise would, and *vice versâ*.

11,773. Do you wish to say anything as to India being dependent on foreign capital?—I think the dependence of India upon foreign capital is a matter which must be taken into account in any practical legislation; and that one has to recollect that what governs the flow of capital from one country to another is not merely the relative strength of different economic forces, but the opinion that is held with regard to those economic forces by the people who have capital to invest. Now, those who are able to lend capital to India live exclusively in countries with a gold standard; and those people are apt to regard gold value as a fixed point, and to treat variations in the gold value of the rupee as equivalent to variations in its real value. In my opinion, this old common fallacy is not nearly so far away from the truth now as it was some time ago. The popular reasons for it, I think, are quite invalid; but, in fact, I believe that gold has been within the last 20 years, say, a good measure of value; though this is due solely to accidental causes—to the balancing of strong forces acting in opposite directions; and I see no reason for believing that that will continue. But this habit of thinking of gold value as a fixed point, whether right or wrong, does affect the willingness of investing nations to send their capital to India; and it makes them grasp, as recent events have shown, at an opportunity of getting back their capital on good terms in gold. This fact was one at least of the main arguments for the closure of the mints, and it is an even stronger argument against any vacillation in carrying through a steadfast policy. On the other hand, the very fact that the Government is bound under penalty of permanent injury to India, to fulfil any implicit pledges it may give, is a strong reason against the Government's giving even indirectly any pledges without having fully counted the cost and being thoroughly resolved to meet it. It would seem to me in the present emergency specially unwise to let the late exceptional stringency of discount in Calcutta hurry the Government into an increase of rupees. That would certainly impair the credit of the rupee.

11,774. You mean an increase in the issue of rupees?—Yes. That would impair the credit of the rupee, increase the export of capital, and would raise and not lower, the mean level of discount. On the other hand, the introduction of some elasticity into the circulation would raise the credit of the rupee, and would restrain any tendency of discount to rise to an injuriously high level.

11,775. How do you say that seasonal fluctuations can best be mitigated?—Stringencies and crises which arise from unexpected deficiencies of currency relatively to the demand for it are not to be avoided by a mere increase in the volume of the currency. They are just as likely to occur with a large stock of currency as with a small; indeed they may be caused by an inflation of currency leading to distrust, not only of currency, but of all other agents and instruments of credit. For instance, in 1893 it was not a scarcity of currency, but a belief that the currency had been unduly increased, and might be increased even more, which led to a crisis in the United States; 50 per cent. was the common rate of discount for a considerable time. We have heard much about the agony of 18 per cent. at Calcutta, but 50 per cent. was the common rate of discount in America for a considerable time; and, whilst currency was thus generally in discredit, other means of payment were disorganised, and in Chicago a large

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business was done in buying currency at a premium, the average rate being 100½. It is remarkable also, incidentally I may say, that the stringency of 1893 was almost entirely Western; while that of 1890 was almost entirely Eastern. That illustrates the fact that with all her 200,000 miles of railway America is not a country but a continent; and we must allow for the same difficulty in India, even though she has 20,000 miles of railways. But, although seasonal fluctuations are not amenable to control by a mere increase of currency, I believe they are amenable to control by arrangements which shall provide that there shall be a stock of currency which shall be used only in case of emergency. That currency may be, and I think should be, largely of paper; but the extent to which it may be of paper and the extent to which it must have a bullion backbone is, I think, not to be settled save for one country at a time; it must vary with changing conditions of time and place.

11,776. How far would the English practice be a good guide for India in this matter?—England is, in my opinion, but I speak with great diffidence, a specially bad example for India to follow in matters of currency. For, first, currency is but a small part of the means of payment used in England; and under most, though not all, conditions, bank money is the main means of payment; and that is elastic. Secondly, an imperative demand for increased currency is rare in England; and, when it does occur, it is on a very small scale relatively to England's total business and resources. The importation of the amount of 10 millions of sovereigns makes an enormous difference in Lombard Street, but it is a mere nothing relatively to England's total business. Whereas, if the same difficulty arises in a country in which the main payments have to be made with currency itself, you want an importation of currency, or an increase of currency, standing in some moderately high relation to the total business of the country; or, at all events, to that part of the total business of the country which is carried on on Western methods. Thirdly, England is near to other great gold markets. Fourthly, her financial houses are numerous and able. There are a vast number of able minds at work on her financial problems. Mr. Bagehot, than whom there is no higher authority on such a matter, says that there never was, since the world began, so high and massive a brain-power applied to any one question as is applied to these questions in England: and, so far as the mass of the ability goes, of course, India is not on a level with England. England's banking system is very highly organised, especially by the aid of the branch banks: it would take too long to develop that, but, I believe, the influence of the branch banks upon moderating stringency in England is greater than it appears, relatively to that of the rest of the banking system. Partly for this reason, currency drawn from London in the spring or autumn completes its circuit quickly; more quickly than in Germany; and, of course, much more quickly than in India. All these considerations seem to me to point to the necessity of working rather on the lines of the German Reichsbank than on the lines of the English Bank with regard to the regulation of the currency. I believe it is not generally known that the plan of the German Reichsbank of providing for increased issue in time of difficulty is not inconsistent with the principles of Sir Robert Peel himself. It came out in the evidence before the House of Commons Committee of 1848 (it did not come out at the time) that Sir Robert Peel had not supposed that his Act could be maintained under all circumstances; and had told Mr. Cotton, Governor of the Bank at the time, that it might be necessary for the Government to assume the responsibility of suspending it (Q. 4057); and Mr. Cotton, while holding that the Act should not be relaxed, says (Q. 4344–5) that the Act would be unnecessary "if the Bank "acted always on sound and well-defined principles"; and that these principles were already "better understood than they were in the year 1839" the events of which had, I think, much to do with Sir Robert Peel's decision not to leave the ultimate responsibility with the Bank. The Committee of 1857 had before it Lord Overstone's evidence that the principles of the 1844 Act had been much misunderstood, and that its framers realized that, though a contraction of the currency will check an external drain, "it will "not check or correct the demand for internal "purposes" (Vol. I., Q. 4239); and the Committee (Report, §§ 71–74), referring to Mr. Cotton's evidence in 1848, "advert to the question whether provision should "be made in advance for such contingencies [as those "of 1847 and 1857], and the conditions expressly laid "down on which the issue of an increased number of "Bank notes may in time of pressure be allowed"; and they "think that such a provision could not be "regarded as any violation of the principle of the "Act of 1844." The scheme at which they hint is conservative, and may be taken to have foreshadowed the German plan of enabling the Reichsbank to increase its issues to meet any emergency, whether due to the variations from one part of the year to another, or to a variation in one particular year of the general course of business. The elastic plan of allowing the Reichsbank to increase its own issues under certain conditions, the chief of which is that it should pay a tax to the Government, does seem to me to have worked well. I have read criticisms of writers on banking in other countries, who talk of England as being too conservative because she keeps to an old rigid rule, which was adopted to meet a difficulty which has passed away, and which probably will never return quite in the same way. It would seem to me that, if the Government is to prevent difficulty arising in India, not from a real weakness of India, but from the mere absence of the flux—the currency needed to make business move,—it must go on the lines of the 1844 Act, somewhat modified as in the Reichsbank Act. I do not mean that it should follow the letter of the Act, but the principle of it.

11,777. The Reichsbank has the power of contracting its issue when the need for additional currency passes away?—It has the interest to do so.

11,778. It has the power as well as the interest, has it not?—Certainly. I may say that it is generally understood that the Reichsbank Act may require to be altered, because the business of Germany has grown so much since that Act was passed; but the principle is, I think, good.

11,779. (*Mr. Hambro.*) Has the Reichsbank to get any Chancellor's letter, as in England?—No, its action is automatic.

11,780. (*Chairman.*) What do you take to be the immediate effect of a change in prices?—A fall in the value of currency lowers all dues enforced by contract or custom. Creditors and lessors can often defend themselves against injury in this matter; for creditors are often quite as able to foresee changes in the purchasing power of money as borrowers are; and they can accommodate the interest which they charge to coming events. Also they can often put pressure on their debtors indirectly. This last power is even greater in the case of lessors. That is shown in the history of inquiries into agricultural depression. It is always found that, when the rent which the farmer has contracted to pay is higher than the land is really worth, the landlord sees his way to making improvements that he would otherwise have left the farmer to make or to go without; but employés cannot, as a rule, foresee; and they have less power of acting on their knowledge. The consequence is that a rise of wages is seldom or never as fast as that of prices when the cause of the rise is an increase of the currency, that is not accompanied by an increased command over nature.

11,781. Do you hold that the ultimate effects of such a change depend partly on the rate of general economic progress?—Yes. A sudden fall in the purchasing power of currency, that is to say, a sudden rise of prices, may be due to a very bad harvest at home, and then it is clearly an evil; or it may be due to a bad harvest elsewhere, as the rise in Indian prices in 1891

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was caused mainly by the Russian famine, and that was good for India. But, especially in the West, a sudden rise of prices is generally the result of either currency inflation or improvement in credit. In so far as the rise of credit is a revival after the industrial system has been purged from its impurities by the preceding period of low credit, it is a welcome sign of recovered health. But the movement would be as beneficial for the time if it were accompanied by a more cautious use of credit and more uniform prices; and in the long run it would be more beneficial. As it is, the inflation causes lenders to be careless; all business men seem to be having a large margin of profits; speculative buyers can borrow and become rich by selling for many counters what they have bought for few counters, and their gains, which add nothing to the common stock, are merely the result of successful raids on the common stock; and these gains give to business a fictitious appearance of prosperity. In such times, as is shown by the evidence before the last Commission on Depression of Trade, there is relatively little improvement in machinery and general plant. The seeds of progress are not sown in those times of apparent prosperity. No doubt employment is then generally full, especially if England is exporting fast; and she is likely to be exporting fast in consequence of her lending fast to other countries, South America above all others. When she has been exporting fast to South America, there has been plenty of employment in making goods to be exported, but, as a rule, little has come back afterwards. During that time money wages have been rising very fast, but not real wages. I admit that, on the other hand, a sudden rise in the purchasing power of currency, that is, a sudden fall of prices, presses hardly on business enterprise of all kinds. It is likely to make many employers fail, and generally to interrupt industry. Credit shrinks, and disorganisation is apt to spread from one part of the industrial world to another. Such a fall of prices is an almost unmixed injury to the employé, as it is to the employer; but a fall of prices of this kind is seldom or never the product of natural causes. It is nearly always, if not always, the result of a previous inflation of prices and the launching of frail enterprises by fraudulent or incompetent people who have floated into prosperity at the cost of others on the top of the wave of rising prices. To attribute this social *malaise* to the fall of prices, instead of to the previous morbid inflation which caused it, is as reasonable as to attribute the headaches which follow a night of feasting and rioting to want of a sufficiently nourishing breakfast, instead of to the bad condition of the digestive organs that took away the appetite for breakfast. This is, perhaps, the chief centre of difference between those bi-metallists who, like myself, wish for bi-metallism only as a means of diminishing fluctuations; and those who wish for it also, and perhaps, mainly, as a means of raising prices. It is agreed on all sides that violent fluctuations of prices are an evil in the long run: but the difference of opinion is as to whether it is the sudden rise of prices, or the subsequent fall, which is mainly responsible for the evil. England passed through great crises and violent fluctuations of prices early in the century; and you will find an important body of opinion on the part of not only professional economists, but of business men, at that time that a rise of prices was not really beneficial to industry. But the memory of that passed away, and I will confess that, for 10 or 15 years after I began to study political economy, I held the common doctrine, that a rise of prices was generally beneficial to business men directly, and indirectly to the working classes. But, after that time, I changed my views, and I have been confirmed in my new opinions by finding that they are largely held in America, which has recently passed through experiences somewhat similar to those of England early in the century. The reasons for the change in my opinion are rather long, and I gave them at some length before the Gold and Silver Commission. I think, perhaps, I had better content myself now with calling your attention to the fact that the statistical aspect of the matter is in a different position now. The assertions that a rise of prices increased the real wages of the worker were so consonant with the common opinion of people who had not specially studied the matter, that it was accepted almost as an axiom; but, within the last 10 years, the statistics of wages have been carried so far in certain countries, and especially in England and America, that we are able to bring it to the test. I have accumulated a great number of facts, but nearly everything I have accumulated is implied in this table. It is copied from the article by Mr. Bowley in the "Economic Journal" for last December. It is the result of work that has been going on for a number of years, and seems to me to be practically decisive. It collects the average wages in England from the year 1844 to the year 1891, and then calculates what purchasing power the wages would give at the different times, and it shows that the rise of real wages after 1873 when prices were falling was greater than before 1873 when prices were rising.

AVERAGE REAL and NOMINAL WAGES in the UNITED KINGDOM, FRANCE and the UNITED STATES as Percentages of those in 1891.

Country		1844–53.	1854–63.	1864–73.	1874–83.	1884–93.	1891.
United Kingdom	Nominal	61	73	82	93	95	100
	Real	53	51	59	82	97	100
France	Nominal	52	65	73	86	95	100
	Real	55	61	67	78	94	100
United States	Nominal	53	58	72	86	95	100
	Real	54	53	57	76	95	100

11,782. (*Sir J. Muir.*) Might I ask what is the difference between "nominal" and "real," in connexion with this table?—The real wages are the amount of commodities which the labourer can buy with his money wages. Supposing wages were 30*s.* in one place and 32*s.* in another, the real wages in the first case would be the commodities which 30*s.* would buy at the price of that time, and in the other the commodities which 32*s.* would buy. I may say that all the figures, and especially those for France, are liable to certain errors, which are most conscientiously explained by Mr. Bowley in his article. They are not sufficient to detract much from the force of broad inferences based upon the figures.

11,783. *Sir F. Mowatt.*) I do not quite understand how you get the full value of hundred to-day?—He puts everything up to 100 for 1891, and then works back.

11,784. But does he take the real and nominal as identical now? Where he takes the 100, does it represent the real and the nominal?—He makes the standard for real wages 100 in 1891, and he makes also a separate standard for the nominal wages in 1891 of 100, and then he works it out upon those. I now produce a diagram representing the facts for America. It has been very largely used in America, and has had a great deal to do, probably more than any other single statement of facts, in diminishing the belief

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among the people that they could improve their position by inflating the currency. (*For this diagram, see Appendix.*) I should say that that diagram is compiled by a mere arithmetical process, from a report made at the instance of the United States Senate Committee. It is, of course, always difficult to be certain that there was no ulterior motive in the appointment of any committee to make a statistical inquiry: but it is quite certain that, if any such motive was at the back of the appointment of this Senate Committee, it had nothing whatever to do with this particular question; and therefore, so far as this particular question is concerned, it may be taken without question as an impartial investigation. The work was practically done entirely by Professor Falkner, who approached the question from a purely statistical and scientific point of view.

11,785. Do you draw any distinction between the cases of England and India in the respect you have just alluded to?—Yes, I do. It seems to me that nature, who often plays unkind tricks as to the supply of gold and silver, has been benevolent in putting a liking for gold into the West, and for silver into the East. For improvements in transport and production have made the labour of the Western worker, and especially of the English worker, very much more effective in producing commodities than it was not long ago. For the Englishman, I should say, it had been nearly doubled, and it is therefore well in my opinion that a sovereign should command nearly twice as many commodities as before. Taking the course of events as it has been, I do not think it would have been good to have had a gold currency in India during this time. That would no doubt have caused a real stringency. Prices would have fallen, not only as measured in terms of commodities, but as measured in terms of labour; because India has not been able to keep pace with the Western world in the command over capital, in the command of those resources which make labour effective. Her unfortunate liking to invest in barren stocks of gold and silver, together with other causes, has made her unable to keep pace with the West, or even with Japan; though, when one complains of the slow progress of India, one must recollect that there is scarcely any other old civilisation in the same latitude, and with the same difficulties, that has made progress to be compared with that of India.

11,786. On what principle should you estimate the amount of interest that the Government of India has in the value of the rupee?—One frequently hears estimates of the interest that the Government has in a rise or a fall of the rate of the exchange on London. Now, I do not think that it is possible to state what that interest is without enquiring whether the origin of the change is in circumstances affecting the rupee or the sovereign. It seems to me that there are these two distinct elements: the Government of India has direct interest in the value of the rupee, and it has interest in the value of the sovereign; but its real interest in the rate of exchange is chiefly indirect. For the effect of a fall in the exchange which was caused by a rise in the value of the sovereign, the rupee being stationary, would be, in my opinion, quite different as regards the interest of India, from the effects of a similar fall caused by a fall in the purchasing power of the rupee, the sovereign remaining stationary. Therefore, I would like to take the two parts separately. The permanent interest of the Indian Government in the value of the rupee is limited to its fixed land dues. In respect of the importance of those dues, it is unique among great governments conducted on Western principles. Its permanent interest in the value of the sovereign is limited to its debts in gold. But, next, as to interests which are not perpetually fixed, but yet are very firmly rooted; it has a very heavy interest in the value of the rupee extending over perhaps 15 years or a little more, the average remaining life of the non-permanent leases. It has also a sub-permanent interest in taxes; because, though equitably it can raise those so as take its share of the growing wealth of the country, its freedom of action is practically limited by the necessity for going rather more slowly and in a rather less aggressive manner in the East than is possible in the West. Lastly, it has an interest as an employer of European labour, in the ratio between the rupee and the sovereign, independent of their absolute values; that is in the rate of exchange. If they both rose equally, or both fell equally, these difficulties would be small. As regards railways, I think those difficulties are, perhaps, less than appears. For I do not think it is possible for a railway ever to have fixed upon the ideally right tariff, and I think that the number of cases in which any railway would lose much by deliberately lowering its tariff is small; and, therefore, I think that the indirect lowering which arises from a fall in the value of the rupee, is not so great an evil to the railways as is commonly supposed. As regards the prices of stores and railway plant, the Indian Government has no interest in the value either of the rupee or of the sovereign, in addition to the considerations already mentioned; because it buys them as a trader, and gives commodities for commodities. These difficulties are in themselves considerable, but the main importance of most of them arises from their bearing on the central difficulty of the position of the Indian Government, which is not directly connected with either the rupee or the sovereign, and would remain if the whole world had the same currency. This difficulty is that the immense increase in the wealth and prosperity of the Western world, which began in the second third of the present century, and has gone on at an ever-increasing pace since the close of the period of the great wars, has made the resources at the command of the Western Governments beyond all comparison greater than any known before. These resources are spent on civil government and on military preparations. The administration of law, education, and sanitation are more thorough and more costly in terms of labour, and far more costly in terms of commodities, than they were. Military expenditure has grown perhaps even faster. If the supplies of gold had been sufficient to maintain uniform prices of commodities, then the apparent expenditure of all Western Governments outside the service of their debt would have been nearly doubled. The present direct expenditure of the English Government would be perhaps 150 millions, and that of local authorities about as much again, after deducting for post office, waterworks, and other remunerative outlays; and the people would have probably protested effectively against the increase. As it is, they have submitted more or less willingly. In the East there has been no such surplus to dispose of, and yet moral considerations have required the Indian Government to follow at no very long distance behind the Western Governments in their civil undertakings. As regards their military undertakings, I do not wish to express any opinion as to their necessity. I am no judge of that. But, as to the civil administration, the English officials have to be brought away from a country where real salaries are high. And, while I fully recognise the duty of the Government to substitute cheaper services wherever they would do the work; and while I hold very strong views as to the wrongfulness of any unneedful expenditure of Indian funds—while I hold that that is short-sighted and foolish, as well as wrong—I yet think that the purchase of services that are inadequate for their work is wasteful; and I do not think that India could obtain the services she requires, taken one with another, at a much cheaper rate. I wish to say that, because, having a good deal to do with the teaching of students who are natives of India, I find that they often do not hold what I consider sound views upon the conditions of true economy in public administration; and I think I ought to bear my share, as one of my generation, in insisting that, on the whole, taking one thing with another, the Civil Government of India is not an expensive government. Were it an expensive government, I think our presence in India would not be justifiable. In view of this

central difficulty arising from the fact that the standards of civil and military efficiency which are set by the West must needs put some strain on the less progressive resources of the East, I think the financial policy of India may be justified in departing a little from those maxims of perfection as to the preference for direct taxation to which the English Government should adhere; and, I think, it must take more account of popular sentiment than it would be right for the English Government to take. I think it must ease its way by not accentuating needlessly the burdens which it is compelled to impose on the people. If the people could appreciate both sides of the question fully, that would be the best of all; but, as they cannot be expected to appreciate fully the necessity for the growth of costly civil and military operations by the Government, it is, therefore, best not to make them think that the Government's revenue and expenditure are increasing faster than they really are. In short, I conclude that moral and material progress are imposing new and costly duties on the Government of India, and armaments are increasing everywhere; and, therefore, although the net amount of its fixed sterling payments is, perhaps, somewhat less than at first sight appears, its expenditure measured in terms of commodities must constantly increase, and should be raised in the least irritating manner possible.

11,787. Before leaving that branch of the subject, will you say whether you regard the maintenance of the rupee at 1*s.* 4*d.* as equitable, and, at the same time, do you regard it specially as a tax upon trade?—The function of a legislator as regards currency is to do as little as possible. Almost any currency of which the position is certain will do its work fairly well. Frequent changes in its basis disturb expectation, upset reasonable calculations, and infuse a spirit of unrest into business. They may all aim at increased certainty, but their effect must on the balance be increased uncertainty. They resemble the frequent wakings of a patient in order to administer sleeping draughts. It was, therefore, with much doubt and difficulty that I brought myself to think that it was right to close the mints in 1893. But some of the strongest arguments against closing them then are now arguments against reopening them, and against acquiescing in any other arrangement than a 1*s.* 4*d.* rupee. I base myself partly upon the consideration that the original revenues were fixed in rupees—not gold rupees or silver rupees, but rupees—and that gold coins were legal tender well into the present century. I think, therefore, that the descendants of the original holders would have had no technical grievance if England had adhered to the gold standard throughout. Of course, the position of the Indian Government is weakened by the fact that, when gold was showing a sign of falling in value, it refused to take gold as legal tender. But still, taking history as a whole, I cannot see any technical breach of contract in moving the rupee somewhat in the gold direction. Looking at the thing broadly, and without reference to recent events, I should think that it would not have been an unjust arrangement to say that two-thirds of the rents should be paid in terms of silver, and the remaining one-third in terms of gold. Now, if you take one-third of a rupee at its old gold value, and two-thirds of the silver in a rupee, you do get just about 1*s.* 4*d.* It seems to me, therefore, that, if the fixed rents were allowed to be paid in rupees, with open mints, this very great fall in the value of silver would throw the whole burden, or more than the whole burden, of the necessarily increasing expenditure of the Government upon taxpayers other than the permanent and sub-permanent holders; and in that there would be an inequity. I think it would relieve them of some part of their proper share of the public burdens, and would thereby impose an unjustly large share of those burdens on other taxpayers. A slight injustice of this kind is sometimes a less evil than its remedy; but a rupee at 1*s.* 4*d.* seems to me a workable compromise, and substantially just for public and private business contracts. While the evil arising from a change in the currency was an argument, for what it was worth, against the closing of the mints, it is no argument at all in favour of reopening them. On the whole it seems to me, as I have said, that a rupee at 1*s.* 4*d.* is a workable compromise; and, although I have seen it stated that it is a tax upon trade, I have not been able to see that it is any tax upon trade at all. It is a tax upon those who have a specific quantity of rupees to pay under contracts made or implied during the very short time that the rupee was of lower real value than now; but, so far as future trade is concerned, it seems to me to be a change exactly like the adoption of the decimal system, and using the kilogram instead of the pound.

11,788. What do you take to be the general relation between the Indian exchange and prices in India and England?—India is so large that prices at her ports differ widely from up-country prices; and, partly for this reason, much of the produce of India is very little connected either as cause or effect with the course of trade. But, broadly speaking, the Indian exchange, both before and after the closing of the mints, has indicated the proportion between rupee prices at Indian ports and sterling prices at English ports; and, subject to allowance for freights, &c. between India and England, the rule holds that the exchange, or the gold price of the rupee, is the ratio of sterling prices to rupee prices. Before passing to the way in which that works out, I would like to say a little on the interpretation of the phrase "general prices in India." I have seen in current literature a good many arguments as to the general policy of the Government with regard to currency in India, which seemed to me to be incorrect, because they are based upon a comparison of London prices and Calcutta prices, and the tendency of progress is, of course, to raise up-country prices of exports relatively to Calcutta prices. The papers written 50 years ago by Colonel Sykes, who, I think, was the first person who paid very serious attention to the higher statistical problems of India, showed very great differences between the up-country values and the tidal-water values. It is especially interesting to study these differences in the case of America, because America is on a gold basis and there is no break of gauge in passing from America to her chief customers. A number of people have made enquiries showing the relative movements in different parts of America, and I think it may be said to be established, broadly speaking, that there has not been any great fall in gold prices of agricultural staples up country. I have here one of a series of papers issued by the Sound Currency Committee of New York; and, though it is avowedly written for a purpose, I think we can trust the diagrams, which show that the prices of agricultural produce at Dubuque, Iowa, fell much less than at tidal water. And here I have an elaborate set of diagrams, showing similar results for up-country markets throughout the United States, by Mr. Powers, Commissioner of Labour for Minnesota. His figures have been criticized; but their general effect has not been shaken. No one can look at these general results of Indian and American statistics without concluding that the statement that the prices in India have not risen lately is not a justifiable statement, if it is based upon Calcutta prices, and without allowing for the differences between up-country and tidal water prices.

I have now to enter very much upon controversial matter, and perhaps it would be well that I should first state what is, I think, a matter of common agreement as to the causes that govern Indian exchange. It is common ground that Indian exchange is raised—that is, made more favourable to India in the old technical sense of the word, which means more favourable to importers, and more unfavourable to exporters—by an increased foreign sale of Indian products. This may arise from increased foreign eagerness to buy these products, resulting in an improved rate of value for them in terms of the goods offered in foreign markets, or from increased Indian

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supplies of them at the old value. Or it may arise from diminished Indian purchases of foreign products, including gold and silver; and this may be caused by a diminished eargerness on the part of India for them, or by diminished offer of foreign stocks of them at a rate which India will pay. Further, the Indian exchange may be raised by increased borrowings by India. It seems to me it is worth while to have these general considerations before us; because they seem to show that, as regards discount, so with regard to exchange, no general proposition is possible. One cannot say that a fall of the exchange is good for a country or bad.

11,789. You say, "Speaking generally, the Indian "exchange is the ratio of sterling prices to rupee "prices at the ports." Will you kindly amplify that?—The Indian exchange is quoted as the sterling price of the rupee, that is, as the price in London of the command of a rupee's worth of goods in Calcutta or Bombay. If the exchange is not by telegraph, something must, of course, be allowed for interest. It is worth the while of an English importer of, say, jute, to pay this price for a rupee, if the jute that he can get with a rupee will sell *net* in London for this price. By *net* is meant, after paying all the expenses; *i.e.*, including insurance, interest for the time the capital is locked up in transit, and remuneration for himself. Thus Indian exchange is the ratio which the sterling price of jute, after allowing for freight, &c., bears to the Indian price. In the same way, the exchange is the ratio that the sterling price of calico bears to the Calcutta price after allowance is made for freight, &c. The details of this had, perhaps, better be taken separately for the case in which the imports of silver directly affect the currency of India, and the case in which they do not. The latter case is really the simpler.

11,790. Now, will you say how this works out?—Since the mints were closed, the currency of India has consisted of Government notes printed on silver. Their value is governed in the main by their amount relatively to the work which they have to do; account being taken of the fact that apprehensions as to the stability of the value of such a currency will affect the amount of purchasing power which people care to keep directly or indirectly in the form of currency. The Indian exchange is then governed by the relation between gold prices and rupee prices, being, in fact, an expression of the ratio between them. I will work this out in detail with reference to the trade of the all-round merchant. There is not, really, a very great difference between his case and that of the man who exports without importing in return; because, by aid of the exchange banks, the mere exporter is now almost in the position of the all-round merchant. The all-round merchant's case is the typical case. I mean the man who exports and imports back again. If an all-round Calcutta merchant exports jute and imports calico, he makes a good business, provided, first, jute is in great demand in England and calico plentiful there, so that he can get much calico in London for the price of each bale of jute; and, secondly, calico is in great demand in Calcutta, and jute plentiful there, so that he can get much jute in return for each bale of calico which he imports. These are the things that really affect his prosperity. The currency does not affect it directly. If he knows that he can get 100 bales of calico in London for the price of 300 bales of jute, he does not really want to know what the price is, it might be given to him in a sealed bag. If the contents of the bag were guaranteed to purchase him his 100 bales of calico, that is all that he would want to know. If the 100 bales of calico would sell in Calcutta for the price of 450 bales of jute, and the price of 150 bales would enable him to pay all expenses of the double traffic with profits to himself, then the business would be profitable, otherwise not. If there were to be a suddenly increased issue of rupees, and Calcutta prices rose, so that Rs.120 were needed to do the work of 100; then the exchange would instantly follow suit, if there were no other disturbing cause at the time. But, of course, there might be a disturbance. The credit of the country would, perhaps, be lowered, and this might make foreigners withdraw capital from it. That withdrawal would injure the country as a whole, and the exporters themselves in the long run; but, for the time, it would be a powerful bounty on exports: and a real bounty due to that cause exporters sometimes get, and attribute it to a different cause, viz., the direct action of the fall in the exchange. Again, the change under discussion—the increase of the currency—might lead people to avoid rupees and seek gold and silver bars for their hoards. This is a special case of an increased desire on the part of India for a commodity (silver is now one) such as silver, petroleum, and diamonds, from whatever cause arising. Let us, then, leave this illustration with regard to an increase of the currency, and take what has been, in fact, the chief cause of increased purchases of these commodities by India — the increased output of American and African mines. Well, the increased desire for petroleum, diamonds, and silver, any or all, would make India bid more eagerly for foreign produce, and give more jute, &c., in return for it. The way in which this would work out in the exchanges would be as follows: The importers of diamonds, petroleum, and silver, would need bills on London, and pay an increased number of rupees for a bill for 1,000*l.*, that is to say, in technical terms, the exchange would fall. Its first effect would be to give a real bounty to exporters of jute, and impose a real burden on importers of calico. After a while, the price of jute would have fallen a little in London, and the price of calico would have risen a little in Calcutta. The rupee would count for less relatively to calico, the sovereign for more relatively to jute. The all-round merchant might have to sell 320 bales of jute instead of 300 in London, in order to get 100 bales of calico, but he would get his own again because he would sell his calico at home for the price of more jute than before. And if, in this state of the trade, he stopped off from importing, he would require to obtain a larger number of rupees than before for a bill of 1,000*l.* Thus the increased demand of India for foreign goods would lower the exchanges, and it would keep them low so long as there was no other change in the situation except this increased demand; that is, especially, so long as there was no change in the supply of rupees or gold relating to the work they had to do, and this supposition implies that the mints are not open to silver. A permanent alteration in the rate of exchange due to such causes as these is the outward expression of a change in the real terms of trade between India and other countries. But an alteration in the exchange due to changes in the currency of India or other countries has no such deep signification. It may disturb the business relations of individuals, it does not as a rule modify the substantial trade relations of countries. Even if the Indian mints were never reopened to silver, an increased production of silver in the West might lead to a permanent increase in India's eagerness for foreign imports, and a permanent alteration in the terms on which she obtained them, just as was done on a smaller scale by the African diamonds and the American petroleum. The case of silver resembles that of diamonds more nearly than that of petroleum. For, if the price of petroleum falls, people buy more of it to use at once; they do not wait to see if the price will fall even more next year. But with diamonds and silver it is different. A fall in their price sometimes make buyers more eager, sometimes it makes them hold off in expectation of a further fall. The want of correspondence between changes in the real price at which silver could be bought, and the amount of it which India will take, may, perhaps, be explained by those who know the history of Bazaar rumours. I have been told by natives that there is a good deal to be learnt in that direction. Of course, I never got below the surface at all, but to me it is inexplicable. The common

saying that the course of the rupee cannot be predicted as that of any Western coin can, seems to me to derive its chief justification from this fact. It seems to me that nearly everything is explicable about the rupee with a little patience; but on this point I confess the action of the rupee is quite inexplicable to me. What I cannot understand is the relation between the price of silver and the imports. For instance, if one takes a diagram showing the net imports of silver into India, and the net imports of gold into India, and the rate of exchange, one has a paradox that one cannot solve (*see Appendix*). I thought that such a diagram must yield something to study; but, though the causes of some of the most striking movements of these net imports are well known, I can get nothing out of it that suggests a general law connecting movements of these imports and movements of the exchange. As one instance, I may mention that the Superintendent of the Post Office for the North-Western Provinces in 1886—I am quoting second-hand—states that the import of gold was increased considerably, because of the rise in its rupee value. People thought that the rise in its rupee value was going on fast, and for that reason they imported on a very large scale. But in 1892-93 gold was on the balance exported, because speculators and hoarders took their profits on the purchases of earlier years, preferring not to wait longer.

11,791. Do you wish to say anything as to the different relations which affected the question when the mints were open?—When the mints were open, importers of silver into India were secure of a better market, and therefore a fall in the Western price of silver was liable to disturb trade more. There were some re-adjustments of price levels, rupee prices at the ports being specially plastic, as Mr. O'Conor has told you. Sterling prices might yield temporarily a little in some cases, but ere long equilibrium was reached with more silver and higher prices in Indian ports than there otherwise would have been. To go over this difficult question again somewhat in detail: the gold price of silver having fallen, either the relation between gold and silver prices of the chief commodities in trade would quickly re-accommodate itself to the new gold value of silver or it would not. If it did, as in my belief it would, the rupee prices at the ports would rise nearly in proportion to the increased value of gold in terms of silver. It is however true that, if there happened to be a growing scarcity of gold, or growing facilities for the production and transport of cotton, iron, &c., the gold prices of these things might fall to meet the rupee prices; (and this did in fact often happen between 1873 and 1885). In whatever way the re-adjustment was made, provided only it was made quickly, the premium on the exportation of Indian goods in return for silver would be small and would quickly pass away. If on the other hand there were no rapid re-adjustment of relative prices, the premium on the importation of silver would lead to a bottomless demand for it. Silver would be exported by 20,000,000*l.* or 30,000,000*l.* worth a year, if there were no re-accommodation of the relations between gold prices and silver prices. For it would then be profitable for anybody whatever to buy silver and take it to India and buy commodities, and the flow of silver to India must reach enormous figures. As a matter of fact, there has never been any large and persistent import of silver into India which can be attributed to this cause, and therefore we are compelled to admit that prices at the ports accommodate themselves very quickly to the new conditions. I do not say that inland prices accommodate themselves rapidly.

11,792. Would you wish to add anything on the question whether a depreciating currency gives a bonus to any of those engaged in producing for export?—The influence of a relatively depreciating currency upon the position of the exporter has been the subject of a very long controversy in which I have taken a somewhat lengthy part, as a good deal of my evidence before the Gold and Silver Commission bore upon that subject. I find that those who think that a relatively depreciating currency gives a bounty to the export trade, generally quote in support of their conclusion facts which I should not dream of calling in question, and I think it may be well to state what seem to me to be matters common to both sides, matters which are not in dispute. The dispute is whether from these facts it follows that a depreciating currency gives a bounty to the export trade. It is common ground that, if the price at which an exporter sells his goods in foreign markets be taken as fixed, then a fall in the value of his own currency, relatively to foreign currency, of one per cent. increases his gross currency receipts by one per cent., and is likely to increase his profits in a much larger proportion, or to turn a loss into a profit. Expert witnesses have been called, and numerous expert writings have been written by people making a point of the fact that they are actually engaged in trade, and in a position to prove that this is the experience of practical life. But really no experience is needed: the result follows from an elementary application of the first rules of arithmetic: and it has never, as far as I am aware, been doubted by any person in the world. It is common ground also that, if the currency in India is rising in value, while that in, say, China, is falling in value, then the employers in India, having to pay relatively increased fixed charges, salaries, wages, &c., may be complaining of hard times, while the employers in China are making good profits. This will, perhaps, be expressed by saying that currency changes are giving an advantage, or a premium, or a bounty to the Chinese employers as compared with the Indian. If these employers in India are producing for export to foreign countries, they may be described as exporters; and it may be said then that the Chinese exporters have a bounty in comparison with the Indian exporters. But this appears to me to be an incorrect way of expressing an undoubted fact; for, first, the gain of the Chinese employer is independent of the accident that his goods are exported; and, secondly, it is at the expense partly of the creditors who are financing his export industry, but mainly of the employés in it. Now, if one says that the export trade of a country is conterminous with the undertakers of business enterprise, who are generally employers, and that anything that benefits the employers is a bounty on the export industry, then the proposition may be conceded. But, as I hold that the creditors who finance an industry that produces for export have some share in the export trade, and that the employés who make the thing for export have a very large share—quite as large a share as the undertaker,—holding that, I do not admit the proposition. If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it; only, I add, the bounty is just the same, and at the expense of just the same people, as that which he would get from a depreciating currency if he were producing for his home market, and not for export. Again, it is common ground also that, when a country lends capital or returns any of its borrowings, or increases its payment of foreign dues (for example, increased sales of Council bills), or has increased its imports above their wont, then there is an increased demand for exporters' bills; that this is necessarily accompanied by a fall in the value of that country's currency relatively to foreign countries, causes a stimulus to exports, and increases, for the time, the profits of exporters. But all this does not go to show that a depreciated currency is a bounty to exporters in the way of causing an increase of exports relatively to imports. On the contrary, any stimulus to exports relatively to imports which is not accompanied by lending to foreign countries, or returning loans, must necessarily be followed and compensated, by an exactly equal falling off of exports relatively to imports. For it causes an excess of exporters' bills, and that gives at once a bounty to imports. If the bounty is not sufficient, the discount on exporters' bills rises, and, therefore, the

bounty on imports rises, until precious metals or other goods come in. In other words, a bale of jute has to be sold in London for a price that will bring back enough yards of calico to fetch, in Calcutta, a price that will pay for the jute and the expenses of the traffic. Here I am getting back on old ground. Whether this can be done or not depends, so far as London goes, on the needs of England for jute, in comparison with their power of producing calico; (sovereigns are mere counters in the transaction); and, so far as Calcutta goes, it depends on the needs of India for calico, in comparison with her power of producing jute. Rupees are mere counters in the dealings between the two nations, though not in the dealings between individual members of the nations. Nor is the case altered if we interpose a third country, and look at the competition in neutral markets between countries with a depreciating currency and countries with a currency that is not depreciating. Let us suppose, for instance, that China tea and Indian tea of equal quality are sold in London, presumably at the same price, and therefore in return for the same amount of English goods. If the Chinese currency is depreciated, a smaller part of the value of these return goods will have gone to the employés and to the creditors in China with whom the capitalist tea grower has relations, but that is a distribution within the country. It is a gain of one class at the expense of another. The change in the currency does not affect the amount of calico which can be brought back for a chest of tea of a given quality, and therefore it does not affect the advantages of the trade as between the nations. Of course, both countries have dues in Europe, and cannot bring back European goods in return for all their exports, China and India being both borrowers; but, so far as these are concerned, local currency counts for nothing at all. The question that is of importance to them both, as regards paying dues in London, is, whether they must give more tea to buy the means of paying 100*l.* in London than before; and, if the Chinese tea and the Indian tea are of equal qualities, the same number of pounds of Indian and Chinese tea will go for the purpose of paying a given due. It is, however, quite natural that capitalist employers in a country in which currency is not depreciating, should look with envy on the position of those who can pay wages and other dues in a depreciating currency, and therefore retain for themselves a larger share of the price which they get for their goods, whether sold in the home or foreign markets. But this envy has little effect on the course of trade. If gold prices have remained stationary, while the rupee has depreciated 10 per cent. in terms of commodities, then the employer in India is better off than English employers. He gets 10 per cent. more rupees for his produce, whether he sells at home or abroad: he has to pay but few more rupees in wages, since wages have not risen fast; and so he gets higher profits whether he sells at home or abroad. Most of his sales are, in fact, to gold countries; so he regards as a benefit arising from the exchange and accruing to the trade what is really a benefit arising through the depreciation of the currency and going to the employer chiefly, but being taken from the employé.

11,793. Do you think India especially hindered from obtaining a gold standard, or a gold currency, by reason of her poverty, and the fact that she has to make gold payments?—I think she is hindered, but I think the difficulty, on examination, appears much less than at first sight. The difficulty of keeping gold in a country seems to arise from its having been required to make large payments abroad, especially on short notice. When foreign capitalists withdraw their capital, which they commonly do when credit is bad, something or other must be sent to meet the country's obligations, under pain of bankruptcy; and those things which have the most elastic market, and are most easy of transport, naturally go first. Diamonds are as easy of transport as gold, but they have not as good or as quick a market as gold; therefore, gold goes first, and silver second, if a country is outside of the Western world But in the Western world the first line of defence is not now in gold or in silver; the first line of defence is in International Stock Exchange securities. Poor countries, unfortunately, seldom have such; they hold very few securities, except their own, and those are specially unmarketable at such a time. The developments of modern business have caused a country to be liable, under severer penalties than before, to pay up many millions' worth of capital at short notice; and this first line of defence, International Stock Exchange securities, is not largely available for poor countries, including, I believe, India. I admit that to be a very great difficulty, but that seems to me to be the only point in which India is in a specially bad position. As regards the second line of defence, the precious metals, she is perhaps in a particularly strong position. She normally imports 11 crores' worth, and, therefore, she could pay 11 crores abroad by merely suspending her normal imports. The third line consists of goods which are portable, valuable, of elastic demand, having well-organised world markets, and having also a well-organised local machinery for collecting them from up-country, and putting them on world markets. In this third line, India is stronger than almost any other country that is not rich. Her exports of cotton in various forms equal about 20 crores, and imports of cotton nearly 30 crores. Now, cotton is a portable commodity, and elastic in the world's demand; and, therefore, by importing less and exporting more, she could meet a portion of her debt. Again, she exports hides, rice, and tea for about 30 crores. The world markets for hides and rice are large and elastic; and, so long as Chinese competition remains strong, it may be said that the market for tea is elastic, because Indian tea could push out Chinese. If Indian tea had completely pushed out Chinese tea, then tea would be for this purpose rather a bad defence, just as coffee is in the case of Brazil. Jute, I should think, is also elastic, since there are other fibres in some competition with it, though perhaps not so elastic. Moreover, there are some (although not many) of India's imports, other than cotton goods, which are not indispensable.

The witness withdrew.

Adjourned.

Professor ALFRED MARSHALL, recalled and further examined.

(16th February 1899.)

Prof. A. Marshall.

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11,794. (*Mr. Le Marchant.*) In your evidence at question 11,765 you say that the "high rate of "interest on permanent investments in India seems "to be attributable partly to a relative scarcity of "real capital." Would you from that regard the addition to the currency under open mints as not having increased the real capital of India?—In my opinion it does not. It is very difficult to say what position the metallic currency of a country holds in its real wealth or real capital. It is a matter on which there has been a great deal of academic discussion; I think, to a great extent, the discussion has been with regard to the meaning of words. If a country has an unsound currency, say a paper currency, liable to large fluctuations; and imports bullion to put that currency on a sound foundation; then it does get a return for the expense to which it has been put in getting a sound currency. But when once it has got a good currency; then if, through an unfortunate increase in the production from the mines, it has to import a good number of millions of ounces of precious metals in order to make a more diluted currency do the work that the old currency did well before, that seems to me to be no increase of wealth; the country is giving its real capital in return for a thing that merely causes people to carry about larger purses, and—so to speak—use more cumbrous weighing machines, without any increased in their real wealth.

11,795. If the additional currency is sent there because it is cheap in terms of the money or of the commodities of foreign countries, if it is sent in preference to other commodities because it is the cheaper thing to send, there is a strong probability, is there not, that it will not be a gain to the country receiving it?—So far I should say there will not be a gain.

11,796. And the degree to which it would add to the real capital would depend on the circumstances of actual want for it and the uses of it?—Yes. It would depend very much, I think, on the question whether the currency without that increased supply of precious metals was in a wholesome condition, or in one in which it was liable to be unduly disturbed by shocks to general credit.

11,797. It has sometimes been suggested that, with open mints, the additional currency that arose from silver imports was a natural increase of Indian capital as distinguished from foreign capital, and formed a fund available for promoting local enterprises which would otherwise have depended on foreign capital?—It does not seem to me that that statement, as it is commonly made, and as it is commonly understood, is at all true. At the same time I should be unwilling to give it a direct negative, because there does seem to me to lie concealed behind it a certain element of truth. It seems to me that, as India is passing from what we may call a mediæval condition to a modern Western condition, it is using a great deal more currency as a specific medium of exchange on modern methods in lieu of the old fashioned barter and payment of dues in kind. That is giving India a commercial power, which she can only obtain by this means, that is, by having an increased number of what I may call weighing machines. So that, had the general level of precious metals not been disturbed by the increased production of the mines at all, I think it would have been necessary for India (unless she had developed a banking system which could not be expected in the circumstances), to import extra bullion in order to put her machinery of exchange on the efficient but expensive Western system. And, so far, I should not say that the bargain was a bad one for her. I imagine that part of the importation of silver was caused by this need for increased Western appliances and was not to be regretted, and so far did give her an increased power of meeting her own needs and supplying those things which meet the needs of the rest of the world, and thereby caused them to contribute to her needs.

11,798. So far, in fact, as it supplied the necessary mechanism of circulation, which in this country would be provided by expansion of credit money or by banking devices, to that extent it would be an advantage?—Yes, by expanding credit money or of course, expanding coin.

11,799. Would you regard the importation of silver as having contributed directly to a higher level of prices in India?—Yes, I think the level of prices is higher than it would have been had there not been so much importation of silver for currency purposes. Had silver not been imported for those purposes, then I think prices could not have risen and would probably have fallen, because there was an increased demand for currency owing to the adoption of Western methods of business.

11,800. So far as the additional silver caused labour to be brought into operation and production, to that extent it would have contributed to the increase of wealth?—Yes, or so far as it enabled people to do their business by the Western methods, which are more quick, precise, and elastic, and, generally speaking, efficient than the primitive methods.

11,801. How far would the same facilities exist under a gold standard? Would the same essential conditions exist?—Broadly, yes. The term "essential" is a little difficult to understand. The existence of a gold standard without a gold currency would, of course, act in certain important respects differently from a silver currency.

11,802. With regard to discount and the volume of currency as affecting it, would you regard the rate of discount as affected not so much by the total volume as by the distribution of the currency—the hands in which it stands?—I should think that that was largely true.

11,803. I think you refer more especially to capital rather than currency in that relation; I gather that you viewed capital as being the command of currency?—My own way of looking at things is this: I prefer to talk of currency as giving a command over real capital, and bank money as giving a command over currency, and therefore giving a command over real capital in a secondary degree.

11,804. Assuming that there was a scarcity of currency in banking circles that would involve a high rate of discount?—Certainly.

11,805. It would also depend, would it not, on the facility for introducing fresh currency from abroad?—Certainly—the facility and the time required.

11,806. At the moment of demand?—Yes.

11,807. There might be different conditions bearing on the introduction of fresh currency, according as the standard was silver or gold?—I should think so, probably. Perhaps I should say that I have been a good deal surprised at seeing it stated frequently before this Committee that high exchange and high rate of discount habitually go together. I understand that that is the prevalent opinion in the business world in Calcutta. It does not fit in with what I should have supposed *à priori*, and, on looking at the chart, I find that, so far as yearly fluctuations go, the opposite seems to be rather the rule. Indian banking is a matter on which I feel myself beyond my depth, but I feel that I could not talk with any satisfaction about the relation between discount and prices until this doubt of mine has been laid before the Committee. I am not able to see *à priori* why there should be that correlation, nor am I able to see that there has been. The charts, on the contrary, seem to me to indicate not only that that law does not hold, but that the opposite law holds as a rule from year to year. And that has led me to guess at the cause of this general opinion; and I think it may be possible

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that the movements under discussion are mainly those from week to week, and month to month, rather than from year to year; and, secondly, that there may be a great difference between the effects of a scarcity or of bad crops of food grains, and of those products which are chiefly used for export. In this diagram the red curve is the rate of discount, and the green curve is the rate of exchange (*see diagram in the Appendix*). I cannot see any general tendency for their movements up and down to coincide; rather it seems to me that often one goes down and the other goes up.

11,808. Might the relative movements of the two differ in the case of countries such as India and England, which are not on a common basis, whereas, if you take capitals like London, New York, and Paris, where gold is the basis of currency, and passes most easily from one to the other owing to their extensive banking relations, the rate of discount might more quickly affect the rate of exchange?—I said in my first day's evidence that I could not trace any general connexion between high rates of discount and high exchanges statistically with regard to the world in general, or with regard to India in particular, and that I could not see why there should be any such coincidence. India seems to me to stand on a different footing from England. First, so long as it had silver, because the rate of exchange was liable to be violently disturbed by causes that had nothing to do with India's special circumstances or trade—to be disturbed much more violently than the gold exchange could possibly be disturbed between two neighbouring countries such as England and France. Secondly, because the business of Calcutta appears to me in many respects to follow lines more different from those of the rest of India than the business of London does from the lines followed by the rest of the business of England. And, thirdly, because the difference between the effects on Indian business of a check to the supply of the things that India consumes herself, and the effect of a check to the supply of the things that she exports has nothing exactly corresponding to it in a western country. My own guess is that a famine or generally a scanty supply of food grains tends to raise discount, partly because it draws currency from the banks, and generally from Calcutta and Bombay, to the uplands. That guess receives some support from a comparison of the black, blue, and red lines in this diagram (*see Appendix*). But I think that a very active export season, which itself is generally a consequence of very fine crops of things suitable for export, also raises discount. So that I should rather suppose that, when it is said a high rate of exchange goes with high discount, what is meant is that, given the amount of currency available for general trade purposes, and the amount of bank money available in Calcutta, if the export trade is active, you will have a high exchange and a high rate of discount. That is the only solution I have been able to guess at of this paradox, that, speaking broadly, a high rate of exchange seems to go, not, as has so often been said before this Committee, with a high rate of discount, but rather the other way.

11,809. (*Chairman.*) I do not think that has been the uniform tendency of the evidence given before the Committee. For instance, when Lord Rothschild was before us, he was asked by Mr. Le Marchant, "There "would be no necessary connexion between a rate "of exchange and a high rate of discount?" and Lord Rothschild said, "I do not think so." The Committee, of course, have come to no conclusion upon the point; but I simply wanted to draw your attention to the fact that, on this particular point, you have the high authority of Lord Rothschild in agreement with your views?—Yes. The distinction which I wanted to bring out was this. It may be true that the minor movements in the busy season o exchange and discount go together. That is indeed what I should expect as regards the slight variations from week to week and month to month, especially from week to week; but it does not seem to me that, comparing one year with another, these statistics, which are among the few that are beyond the possibility of doubt, support the motion that high yearly rates of discount and of exchange go together.

11,810. (*Mr. Le Marchant.*) In fact, would you say that, if the high rate of discount is owing to adverse causes, such as exceptional expenditure on famine relief, which have altered the usual channels in which currency flows, a high rate of discount would be likely to concur with a lower exchange—from insufficiency of exports?—It might. At present I feel great difficulty in putting forward any general proposition with regard to them except that when business slackens they would both be lower, both being affected by the same cause. It seems to me to be something like the question whether a greenhouse is likely to be hotter when there is a good fire in the stove. The bigger the fire in the stove the hotter the greenhouse, of course; on the other hand, the colder the weather is, the colder the greenhouse will be, and therefore the bigger the fire must be. Just in the same way the rate of discount is continually raised because exchange is low, and with the effect of raising exchange. You get two sets of causes, one of which tends to make a high rate of discount go with a low rate of exchange; and the other set of causes tends to make the two rates be high together, and low together; and I have not been able to see either *à priori* or statistically that one of these sets of causes prevails over the other. Speaking generally, with regard to England, I suppose that the high rate of discount does force exchange up, and bring in bullion quickly; and that, if the high rate of discount is for any reason maintained after the country has attracted the gold that it needs from abroad, then you may have for a certain time high rates of discount with a falling exchange. But the supplies of the material of currency in India being so very far off, the time and cost of transport of bullion being so much greater than in the case of England, I should not be able at all to guess *à priori* the extent of the power that the discount would have over the influx of bullion, and through that over the exchanges.

11,811. (*Mr. Campbell.*) Has it occurred to you that the rate of exchange with open mints depends very much on the price of silver?—Most certainly. I discussed that.

11,812. And that, if the cost of silver were tending downwards over a course of years, you might have a declining exchange, even although you had periods of stringency in the money market?—Certainly.

11,813. That is a very important factor in the question, is it not?—Certainly.

11,814. (*Mr. Le Marchant.*) You were referring, in your answer to question 11,773, to the dependence of India on foreign capital. The opinion has been advanced that foreign capital is not so beneficial to India—that it entails a yearly drain for remittances. How do you regard that?—I cannot see a reasonable foundation for that opinion at all. I hold in the most clear, and, if I may say so, confident, manner the opinion that there never was a country which needed foreign capital more than India does. It needs foreign capital partly to enable India to throw aside those mediæval methods of production which still prevail in many branches of industry—to develop means of inter-communication in all directions, and partly to educate the natives themselves to store up capital. When the natives have once got to see that the function of a surplus of income over expenditure is to be devoted to making the future happier, then, I think, their own capital will grow, and India may be able to move fast ahead, somewhat as Japan has been doing lately, with less dependence on foreign aid. But a check to the use of Western capital in India at the present stage would seem to me to be the greatest calamity that could happen to her.

11,815. At question 11,790 you say, "An alteration "in exchange, due to changes in the currency of

"India or other countries has no such deep signifi- "cation." Would you regard a change from a silver to a gold basis as in any way calculated to disturb the permanent trade relations of India?—No, I should regard it as like a movement towards bringing the railway gauge on the side branches of the world's railways into unison with the main lines.

11,816. And promoting a facility of interchange? —Yes.

11,817. You are aware of the opinion often expressed, that it would disturb the balance of exports and imports, and thereby render the payment of obligations more difficult?—Yes, I have heard that opinion.

11,818. What importance do you think should be attached to the apprehension as to the imports becoming excessive and exports deficient?—To myself personally the matter has unfortunately been one of considerable importance. There is no other question on which circumstances have caused me to spend so much time in controversy against my will. I am quite clear that it is impossible for a country's exports to increase relatively to its imports, except when it is sending away capital, provided no part of her dealings with other countries is omitted from the reckoning. It may not be easy to see how the adjustment is being made. But this statement that whatever a country buys it must pay for unless it is borrowing, unless some other country is making it a present, seems to me to be as true with regard to the trade between countries as it is with regard to the budget of a private person. If a person says he is getting a great number of things and is not paying for them, I should then say, "Then you must be borrowing." If he says, "No, I am not borrowing," then I should say, "Somebody must be giving you things." Or as a last resort, he must be stealing. These last two explanations, of course, would not apply between nations. Nations do not make presents to one another. They do borrow and they do lend, and the dislocations between the exports and imports, which are continually attracting attention, seem to me to be all due either to a change in the relations of borrowing or lending or to a change in the character of the services and goods rendered. For instance, we export to India every year a great number of prime young men. If their value were capitalised, as it would be if they were slaves, it would be several thousands of pounds apiece. We bring them back afterwards, if they come back at all, more or less shrivelled and worn out. Those are vast unreckoned exports. India complains that she sends us a tribute of goods for which we have given no return. We have given a return for many of them in the shape of men in the prime of life, who, on the whole, I think are very cheap for the purpose.

11,819. You have spoken in your evidence of the premium on bills, owing to a low exchange or a depreciating currency, as being paid by importers. Do you regard the Government of India as being an importer of services, and so having to pay the premium for remittances in common with other importers?—I am not quite sure whether I follow the first part of your question, but, taking the last part first, I regard the Indian Government as, in effect, the largest trader in the world; I think that its exports consist largely of services, and its imports consist of jute and hides, and so on, which it does not import directly, but takes when imported through the ordinary course of trade.

11,820. Would you say that it "imports" or "exports" jute, and so on?—I was then looking at the Indian Government as having its seat in England. It would be better, no doubt, to regard it as located in India, and exporting jute.

11,821. To that extent there is a competition between the Government and merchants who equally require to export those articles?—Yes.

11,822. Do you think that any difference would be introduced into that competition by a gold standard? —Yes, I think a great number of minor differences would be introduced. I do not think there would be any fundamental change. I think the greater fluidity of movements between India and the West in general, and England in particular, that would arise, would cause the fluctuations and disturbances to be more numerous, but less intense. A great number of causes which tend to produce certain effects do not produce those effects at all, if there is too great resistance. For instance, a certain thing may become cheaper in one place than in another, and that causes a tendency for it to go from the first place to the second; but, if the difference in the level of prices is not likely to last long, it does not move. Gold being more portable than silver—I understand that the charges are not much more than a quarter as much for a pound's worth of gold as they are for a pound's worth of silver, as between England and India—and the market that gold has, both for buying and selling in England, being so much freer and truer, and so much less liable to be worked against the individual dealer by powerful combinations of capital, it would seem to me that a great number of minor adjustments would go on with a gold currency in India, or even with a thoroughly well established gold standard, which do not take place without such gold currency or standard.

11,823. Would you regard the power of meeting those temporary disturbances—in other words, the demand for gold exports—as depending on banking facilities which would distribute the pressure over a longer period of time?—Speaking generally, yes.

11,824. I think you have spoken of exchange as being determined by the relative level of prices in India and abroad?—Yes. That is to say, that in my opinion the international distribution of the precious metals with open mints must be such that the gold and silver values of the different commodities bear the same relations to one another all over the world, allowance being made for transport; and that, if at any time any external change, such, for instance, as new American currency legislation, upsets that arrangement, then there will be a general shifting which will show itself through the exchanges; the exchanges not being the real active force, but the channel through which the real force acts; and after a time there will be a new settlement, and a new rate of exchange, and a new international level of prices.

11,825. With a gold standard, do you think the degree of pressure for gold would be partly determined by the rapidity with which Indian prices adjusted themselves to prices abroad?—Yes; very much so.

11,826. And what would be the immediate influence bearing on prices? Would it be a rise in the rate of discount? The export of gold would compete with other exports?—Yes.

11,827. And, so far as it went, it would tend to cause other exporters to lower their prices?—Yes.

11,828. An opinion has been expressed that a debtor country has a difficulty in retaining a precious metal in the absence of a protective tariff. The idea, I think, is that a protective tariff turns the balance of payments in its favour, and assists it in acquiring and retaining a precious metal. What importance do you attach to that theory?—It seems to me that the theory has some portion of a foundation in fact: that is, that there are two facts nearly corresponding to the statement, but not quite: but for the particular purposes for which it is used the statement is not, in my opinion, correct. There is no doubt, I think, that the immediate effect of the imposition by any country of protective duties, or rather high duties—I do not lay stress on their being protective—is to raise prices there—to make gold for a time a more eligible means of making payments than those goods which would have to pay this differential tariff, gold coming in free from such a tariff. If gold when it arrives is put away, as to a great extent it has been by Russia, that process may go on for a very long while. If Russia chose to prohibit all imports, except gold, and to put gold in store when it arrived, of course she could go on draining the rest of the world of gold. But, if the

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gold is allowed to go into the currency and act upon prices, that process can last only a very little while. When the gold has raised prices in the country, then, in spite of the heavy duty that is imposed upon other goods, other goods become as good cargoes to send to the country as gold would be. When the high level of prices that corresponds to a high import tariff has once been reached, then I am not able to see that that tariff is any protection to the stock of gold at all. It may seem as though it ought to be; one might expect it to be; but, when one comes to look at the reasons, I cannot see why it should be at all. The protective tariff has brought gold by making the country require more gold to do its business than before: the country has got the gold; there is again equilibrium, and I cannot see that without the tariff it would be more willing to give up the gold required to do its business at a normal level than with the tariff. While, on the other hand, it is, I believe, common ground to all parties, protectionists and free traders alike, that a high tariff, whether it is in the ultimate interests of the country or not, does diminish the volume of her foreign trade for the time. The consequence is that the feelers which that country throws out into all other countries are less numerous, and less elastic, and less widely diffused than under free trade. If, then, something or other, say, for instance, a discredit of that country's commerce arising in foreign markets, compels that country to pay unexpectedly part of its obligations, then gold would be likely to leave that country, as it would leave any other country under the same conditions. I think it would be even more likely, because there is always an easy market for gold. But an easy market for goods requires to be made beforehand; it is the product of years of trade; and, since the feelers that a protective country would have thrown out would be less than those which a free country would throw out, therefore it would be more difficult for that country to throw, say, 20 millions of pounds extra upon the world's markets without making a glut, and possibly even getting smaller returns in return for larger imports of goods. It would be more difficult, I think, then in the case of a protective country than in the case of a free trade country to meet unexpected foreign demands without exporting gold. On the whole, I conclude that once equilibrium has been reached, a protective tariff operates rather against the retention of gold than in favour of it.

11,829. You would, therefore, consider the fact of principal importance with regard to the command of gold to be that India produces a variety of exports for which the demand is world-wide?—Yes, and with organised feelers running out into various markets.

11,830. (*Mr. Campbell.*) On the question of exports and imports, did I understand you to say that a country could not export more than it imported unless it was sending away capital?—Except when it was sending away capital; allowance being of course made for the payment of its interest upon borrowed capital; and the trade being taken broadly, so as to include, for instance, the services which an English man of business resident in Calcutta renders to the country. His profits are, of course, the payments for his services, and they enter into the trade in that way.

11,831. But do you not think it possible that a surplus of exports might be invested in securities which would operate exactly in the same way as any other imports?—When one country invests in another country's securities, I call that lending to the other country.

11,832. So that a country might be exporting in excess of its imports without being unprosperous; in fact, it might be an evidence of prosperity?—I think one can never say that the excess of imports over exports is an evidence of prosperity or adversity until one knows the causes.

11,833. It might be?—It might happen to be caused by increased prosperity; but I do not think by itself it could be taken to be an evidence of either prosperity or adversity.

11,834. At question 11,787 you say that you consider 1*s.* 4*d.* "an equitable adjustment and one which "does not operate as a tax on trade." If the intrinsic value of the rupee in silver is 11*d.*, will not the lowering of rupee prices involved in its artificial enhancement to 1*s.* 4*d.* place the trade of India at a disadvantage with other countries whose currency is on an intrinsic silver basis?—It would put the trader, that is, the undertaker or *entrepreneur*, at a disadvantage: because, while he would sell his goods for the equivalent of the same amount of foreign goods as if there had been no currency disturbance, and while, therefore, he would be able to bring back a substantial real return for his exports, he would by the currency change be forced to keep a less quantity of that for himself and give more of it to his fellow men than he would have been able to do if the currency had not been appreciated. This is a most important social question; but I do not see that it has any connexion with foreign trade. To take the converse case, what happens when a currency is depreciated, is that a person who is under obligations to make certain currency payments (those obligations being in some cases fixed by definite contracts, in particular when he has already borrowed money at a definite rate of interest, but in other cases governed by custom), he is allowed through the change in the value of the currency to discharge those obligations at less cost to himself and less benefit to those who are engaged with him in trade. It seems to me, therefore, that the common opinion that a depreciating exchange is for the benefit of an export trade rests upon the natural habit of regarding the interests of the *entrepreneur*, the undertaker, as co-extensive with those of the trade. It has never been denied that a rise of prices or a fall in the value of currency is for the benefit of those who are undertaking the risks of speculation; but I conceive that it has never been shown that an *entrepreneur* gets a benefit from a fall in the value of the currency of his country, in consequence of his being engaged in foreign trade, which he would not get if he were not engaged in foreign trade.

11,835. He might get it in both cases?—He would get it in both cases, I think. Conversely, if the gold value of the currency were raised and prices lowered, as indicated in your last question, the employer would have to make heavier real disbursements out of the gross returns of his business.

11,836. Then would you not describe it as a tax on Indian trade from which other countries on a silver basis are relieved?—No, that is my point. I object to the use of the word "trade" there. In my view, the Indian export trade consists of three classes, speaking broadly. First, the undertaker of the risks, who is the person who figures most largely in the eye of the public; secondly, the people who supply that undertaker with such capital as he may want beyond his own, and, thirdly (and in my opinion by far the most important of all) his employés. I believe that the greatest harm is done, and the seeds of social discord are sown, if the interests of the export trade of a country are spoken of, when people have in mind only the interests of the *entrepreneur*, the undertaker.

11,837. (*Chairman.*) The interests of the capitalists?—Well, I would rather say the *entrepreneur*, because he may be borrowing capital.

11,838. It includes capital arising from two sources, his own capital or his borrowed capital. What you really are at, I take it, is capital and labour?—I wished to present the three classes of people.

11,839. The employé represents labour?—The employé represents labour; then there is the capitalist who is himself not engaged in the trade, but lends his capital.

11,840. That is capital?—That is part of capital. Then there is the third interest, that of the undertaker, the man of business, the employer who takes

the whole risks, and supplies nearly always some part of the capital.

11,841. I only want it to be clear that, where you say that there are three classes, and that the most important is the employé, you are thinking of what has been called throughout this inquiry "labour"?—Yes, provided that skilled labour be counted too; for instance, salaried managers and so forth.

11,842. (*Mr. Campbell.*) At Question 11,792 you say, "If the statement is that a depreciating currency "gives a bounty to the employer who is producing "for export, I admit it." But you add, "the bounty "is just the same, and at the expense of just the same "people, as that which he would get from a depre- "ciating currency if he were producing for his home "market, and not for export." And I think you go on to say that the bounty to the exporter is at the expense of the employés?—Of the employés, and possibly, to some extent, of the person who has lent capital to them.

11,843. But the fact that there is a bounty is not altered or done away with by the fact that the advantage is gained at the expense of the classes that you name; the fact of the bounty remains?—There is no doubt that it is a bounty, but the question is whether it is a bounty to the export trade. I say there is no bounty to the export trade, but there is a bounty to one class in the export trade at the expense of other classes in the export trade.

11,844. (*Chairman.*) That is, what one gains another loses?—That is my opinion; and the question whether these shiftings from one class to another are substantially equitable and in the interest of the country as a whole, or not, depends, in my opinion, as indicated in my first day's evidence, on the question whether the currency retains a constant value in terms of man's efforts. An increased purchasing power of the currency in terms of commodities seems to me a good thing if it corresponds to an increasing command over nature which man has obtained by improvements in production and transport.

11,845. In Sir Robert Giffen's letter to the "Times" of the 19th May last, it is stated that "by the necessity of the case the exchange is "chronically against India." What do you say to that?—I should have thought that, as India is on the balance an importer of precious metals, the tendency would have been the other way. It is commonly said that the exchange is against Australia, because she is naturally an exporter of gold. Of course, when you have two different currencies—gold and silver—it becomes a rather difficult question to say what you will take as your par of exchange; but still I cannot myself take the sentence in any sense in which I should agree with it. I think it is possible that Sir Robert Giffen meant something rather different from what I have taken him as meaning.

11,846. (*Mr. Le Marchant.*) I think the intention of the writer may have been to say that there was a large amount of fixed payments that India has to make—the home charges and so on—and, in addition, interest and dividends on railways and all the profits on foreign capital; and that, taking those requirements in the aggregate, it meant a pressure of payments against India?—That the balance of payments was against India. I think he may have meant that.

11,847. (*Chairman.*) I do not think that that exactly governs the case. For instance, take the remitting of money in respect of investments of capital in India. You pointed out this morning the enormous advantage to India of the importation of western capital to develop its resources. Now, if India gets its capital, India must export something to provide for the interest on that capital, and that is what some gentlemen are good enough to call a drain on the resources of India; in other words, if India gets 100,000,000*l.* which she has invested in railways, and she has to pay in London 5,000,000*l.* sterling, and that 100,000,000*l.* invested in railways in India produces, say, an income of 7,000,000*l.*, they call the remittance to London a drain on the resources of India?—Well, it is part of a stream—the stream on balance being one of benefit which India receives.

11,848. But you can hardly say that in that case the exchange would be chronically against India?—No, I think not. But I am always unwilling to express an opinion upon a sentence without seeing its context.

11,849. Now one other question. Who in India benefits, and who loses, temporarily or permanently by a fall of exchange? Who is the gainer and who is the loser?—I presume you are referring to a fall of exchange other than that which arises by the ordinary intercourse between any two countries from the deficiencies of exporters' bills.

11,850. No, I do not confine it to that?—Then I think one would want to take the cases separately. First, with regard to these variations in exchange between India and other countries which are of the same order as variations in exchange between England and France. With regard to these, a fall of exchange is generally an indication that a country has been importing overmuch; it is an indication that, to reduce the trade to a position of equilibrium, exporters are to push on and importers to hold back; it is for the time being a bounty on exporters and a penalty on importers. These fluctuations are not in themselves, I think, matters of any importance, nor do they in any way depend upon monetary arrangements. They depend on the movements of trade themselves. The movements of exchange are partly a method of clearly stating the temporary absence of adjustment between exports and imports (all reckoned in); and partly a method of indicating to those concerned a clear and definite channel by which they can help to re-adjust the mutual obligations between that country and other countries, and derive benefit to themselves in so doing. Then, secondly, we come to those fluctuations in exchange between silver-standard countries and gold-standard countries, which arise from a purely external cause, such, for instance, as the repeal of the Sherman Act. A fall in the Indian exchange, if it results from a fall in the purchasing power of the rupee, seems to me to give at once a bounty to every undertaker of risks, every person engaged in speculation in India; that is, every person who stands to gain by a rise in commodities relatively to currency. In so far as Indian prices up-country respond to the repeal of the Sherman Act, anybody engaged in manufacturing up-country for up-country demands would, I think, get that bounty, but the people with whom he was in contact would lose. He had borrowed, say, 1,000 rupees, and had to pay back say, 1,100 rupees; those rupees would be worth less to the person who got them than they would have been had it not been for the repeal of the Sherman Act, and that person would suffer. Indian employés, particularly as they would not be likely to possess an energetic trades union leader who could prompt them as to the right time to strike, would receive wages at the old rate in a currency which was worth less; and they would suffer. I do not think that a fall in the purchasing power of the rupee caused by external events, such as the repeal of the Sherman Act, would quickly spread up-country very far: but, so far as it does go, I think the results are as I have explained. In Calcutta I imagine that the undertakers of business risks concerned with the export trade are of several kinds, bankers, merchants, &c.; and that a great deal of the bounty would go to them, and that not nearly the whole of it would get to the grower of tea or jute, or whatever might be the product for exportation. Some, I think, would go to the merchant, some, perhaps, to other intermediary dealers, and some to the capitalist producer. Those who had lent money to all these would lose a little, in so far as they were not able to anticipate what was going to happen. The employés would, I think, lose a great deal. I wish again to lay stress on the fact that those who lend

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capital are not in so bad a position as those who supply labour; I have argued that history seems to show that they are able to anticipate changes in the purchasing power of money very much, and to accommodate the rate of interest which they charge to those changes, and so to prevent their bearing nearly as large a proportionate share of the burden as that which the unfortunate employés have to bear.

11,851. I suppose the greater portion of that reasoning would apply to a depreciated currency?—The whole of it in my opinion applies to a depreciated currency from whatever source the depreciation comes.

11,852. Is there anything further which you wish to state for the information of the Committee?—I should like to say a little more as to the fluctuations of the rate of discount; and as to the need that they should be softened and controlled by the maintenance of an adequate reserve of coin and notes in normal times, ready to be drawn upon in times of exceptional pressure. I am aware that these matters do not fall fully within the terms of this Committee. But as one side of the problem of Indian currency is being thoroughly investigated, the present seems to be a suitable occasion for inquiring whether violent fluctuations of discount are not an evil of the same order as those of exchange; and whether there is not a partial remedy for them, which would cost much less than it is worth to the community, but which is not easily to be attained by private effort without some aid and direction from Government. It seems to be established that the very high rates which prevailed early in 1898 were mainly due to exceptional causes, and not to the closing of the mints: that similar stringencies occurred before 1873 with a 2*s.* rupee, and afterwards with open mints and a fallen rupee. The fall in the gold value of the rupee is itself, I have already argued, one cause of the maintenance of a high *average* rate of discount. But, when we consider that this average rate has remained almost stationary in Calcutta during half a century, while it has fallen fast in almost every other great trading country, and in some countries has enabled enterprise to obtain the use of the necessary capital at little more than half the rates that prevailed fifty years ago, I think we must throw some part of the blame on the want of adequate provision for the fluctuating needs of Indian business. It is, of course, real capital alone that can provide the substantial force needed to make business prosperous. A supply of currency is but the flux that makes real capital fluid, and enables it to get at its work. And a mere permanent increase of currency does not make capital more fluid; it simply depreciates the currency. What is wanted is a currency which expands when business expands, and thus enables real capital to become fluid when it is wanted to be fluid; and which shrinks when business shrinks, and thus preserves itself from becoming superfluous and falling in value. By this means only can the currency retain its full power; and be ready by expanding again to supply the needful flux for business, when it again becomes exceptionally active. Foreign drains of bullion arising when there is no good stock available to meet them, give shocks to credit, which ought to be avoided. And any shock to credit, whether arising from within the country or from without, makes solvent traders as well as others need an unusual stock of currency to enable them to meet exceptional demands. The discussion of these matters in England, about eight years ago, in which Mr. Goschen took the leading part, resulted in the general adoption of the belief that a great commercial country was guilty of false economy, if it allowed the reserve of bullion and currency, which it keeps against such needs, to run too low. And the Directors of the Bank of England, aided by Lombard Street generally, have earned the gratitude of the country by increasing that ultimate reserve. The combined strength and elasticity which the currency of a country requires as provision against external and internal drains is most efficiently provided by a large reserve stock of bullion and coin. But this is expensive. And when, as appears to be the case in India, the drains to be guarded against are, in a large measure, internal, and dependent on the season of year, and therefore capable of being foreseen, it seems better to adopt the more economic provision of a moderate reserve stock of bullion and coin, combined with a limited and automatic elasticity of fiduciary paper currency. India's relative poverty makes it expedient that she should use the most economical of those devices which modern banking experience and science have shown to be at once effective and free from risk. But for this purpose the cooperation of Government is needed. And I wish respectfully to urge that the Government is not morally free to give the go-by to this question. By the terms of its existence, it is ever extending Western methods of public finance, and aiding the extension of Western methods of private business over the great continent of India. These powerful methods work for good; but because of their very power, they are apt to do much harm when they get out of gear. And therefore the Government, which promotes their extension, seems to me bound also to take thought how far India may require a parallel introduction of those powerful devices which the Western world finds necessary for grappling with occasional disorders of modern business and credit. I do not venture to urge any particular plan for the discharge of what seems to me the bounden duty of the Government in this matter. It must lie with those who know more of India, and more of the practical side of banking than I do, to decide whether there is the material in India for the formation of a bank corresponding to the Bank of England, or—which would probably be better for the special purpose—to one of the great continental banks; or whether a more direct route will be necessary for the present.

But this question leads me to wish to make a remark on one other subject, which lies perhaps rather far from the special business of the committee; but which has been brought home to me by contact with candidates for the Indian Civil Service. The nineteenth century is handing down to the twentieth a vast number of complex economic problems, which are occupying much, perhaps the greatest part, of the attention of the most thoughtful statesmen of the West. Western Governments are aided by the advice and criticism of a large number of able business men, not a few of whom have had time to consider the broader problems of economics, as well as the details of their special trades. There is every sign that the difficulty and urgency of these practical economic problems will grow during the twentieth century as fast in India as in any other country. And the Government of India cannot expect as great a volume of assistance from business men trained in high thought, as a great Western government can. For active life in India is short; it is interrupted by visits to Europe; the climate is hostile to severe mental toil after the day's work is done; and the number of able English business men in India who have an aptitude for high and hard thought in matters ranging beyond their own affairs, can never be very large. If India is to prosper, the difficult economic problems of her government must be solved mainly by the Government. But English officials in India have plenty of occupation for their strength in doing the day's work. And, if they have not learnt to separate the apparent from the real in the action of economic forces before they go to India, they can hardly learn to do so in India. It seems therefore urgently needed that some half dozen of the young men who go out to India every year, should take with them a good grounding in economics, and have already got to understand the main bearings of those modern economic forces which are revolutionizing the West, and are making great changes in the East. But under the present Regulations it is impossible for every candidate to make more than a rapid and superficial study of economics without gravely impairing his chance of being selected for service. I would like, even though it be not quite in proper season, to plead most earnestly for a change

in this respect. If, for instance, those who acquitted themselves with distinction in the paper on economics and economic history in the first part of the examination, were encouraged to present themselves for an advanced paper in economics in the second examination, they would be helped much on the way to becoming efficient administrators of Indian finance, and in later years wise counsellors.

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TWENTY-SEVENTH DAY.

Thursday, 12th January, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

(*For Mr. Robert Barclay's evidence on this day, see page* 160, *above.*)

Statement of Mr. ALFRED DE ROTHSCHILD.

Mr. A. de Rothschild.

12 Jan. 1899.

The CHAIRMAN stated that Mr. Alfred de Rothschild was prevented by illness from being present this day, but on his behalf he read the following paper which Mr. de Rothschild, if present, would have read to the Committee:—

11,853. "In venturing to make a few observations in respect to the important and complex question of the Indian currency, I trust I may not be considered presumptuous. But, having had the honour of representing Her Majesty's Government at the Brussels Conference, where the question of the Indian exchange in connexion with silver played such a prominent part, I naturally take the greatest interest in the present controversy.

"It was at that time that the serious and continuous fall in silver had reached such proportions that it was evident the mints in India could not remain open indefinitely to the free coinage of that metal, and the scheme recommended by Lord Herschell's Committee, for preventing the rupee from following the downward tendency of silver, has certainly been so far successful that there is a distinct and very important difference between the relative values of the two, the rupee indeed having been maintained near the maximum proposed by that Committee for about the whole of the year 1898.

"But the fact that an important Committee has been named by Her Majesty's Government to examine into the Indian currency, is in itself a conclusive proof that the authorities in India are not satisfied that the scheme has placed the currency of the country on such a footing as to enable them to look to the future with perfect equanimity and satisfaction. The closing of the mints was in fact only the first and preliminary step towards the introduction of the gold standard; and, until the next and necessary steps are taken, the condition of the Indian currency must be a condition of transition, accompanied by the inconveniences which are inevitable while such a condition continues.

"Judging from the evidence which has been given before the Committee, I think that nearly all the witnesses are agreed as to the absolute undesirability of re-opening the mints, although in 1893 opinions differed very much as to the advisability of closing the mints; and I think I am also justified in saying, from the many suggestions made before the Committee, that the opinion in this country generally agrees with that of the Indian authorities, that the present state of affairs is not satisfactory.

"What is the exact position of the Indian currency at the present moment?

"The silver rupee, and the notes representing the rupee, are an unlimited legal tender. I might, therefore, perhaps describe the currency in India as being based on a silver standard, which must be abandoned, or an 'exchange' standard, which is not really a currency standard. I fail entirely to see how either a silver standard or an exchange standard can be transformed into a gold standard without the introduction of a certain amount of gold into the country, and without gold being recognised as legal tender.

"In fact a gold standard without a gold currency seems to me an utter impossibility, and, in this respect, I entirely agree with the evidence given by my brother, Lord Rothschild, as I do also on all the other points on which he has laid stress.

"But at the same time, I should like to see the idea of a gold standard and a gold currency take further development with reference to the embodiment of the idea in actual practice. How can the idea be most conveniently, cheaply, and rapidly realised? That is, to my mind, the really important and crucial question to be discussed as soon as it is recognised that the silver standard is a thing of the past, and is to be replaced by an effective gold standard. I cannot help thinking that an efficient plan might be devised for introducing into India the gold which is essential, in view to establishing and effectively maintaining a gold standard. The simpler such a plan is the better, and the more likely is it to command success. Essentially it should consist of arrangements for the establishment of a sufficient gold reserve as a beginning, and the free flow of gold into the country as well as out of it when need arises.

"But the detailed working of such a plan, simple as it is in its essence, requires a technical skill and adaptability which can hardly be looked for in a Government Department. It seems to me that, if a bank were created in India, with privileges similar to those held by the Bank of England, that desideratum would, in a very few years, be accomplished. The Bank might be constituted on the general lines which I now proceed to indicate.

Mr. A. de Rothschild.

12 Jan. 1899.

"*Proposed Bank to absorb the present Presidency Banks.*

"The capital to be the same as that of the Bank of England, namely, 14,000,000*l.*, and it would be a matter for consideration as to how much gold should be placed at once in the Issue Department, and as to how much should be invested out of the 14,000,000*l.* in Government Securities, &c., &c., against both of which the Bank would have the right to issue notes. But the question of the amount of capital is a matter for further and detailed consideration, with reference both to the efficiency of the Bank as a machine for maintaining the gold standard, and as a machine for earning dividends for the proprietors, and also as a machine for aiding in the development of trade and industry.

"The notes should bear their value stamped both in sterling and rupees, in the proportion of 15 rupees to 1*l.* But naturally the convertibility of rupees into gold would not be attempted all at once, nor would it be desirable to do so; but, even if absolute convertibility were declared, it could never take place on a very large scale, because, with such an enormous population as that of India, a very large amount of rupee currency would always be required.

"The Board should be as influential as possible, and composed of representatives of the chief merchants and bankers, the Government having the right to appoint its own representatives, as it is most desirable that the policy of the Government of India and that of the Bank should be in absolute harmony.

"The Government of India would, of course, use the Bank and its branches as its Treasury, which is the case at present with the Presidency banks, and, as regards the fusion of the latter into one large State bank, I think there ought to be no difficulty in bringing this about, especially if the new institution were prepared to offer very favourable and liberal terms.

"It has occurred to me that all silver imported into the country might be subjected to a heavier import duty (I do not, however, consider this as absolutely imperative), but, in the event of the number of silver rupees for currency purposes being deficient, and of its being felt that more are required, the Bank should have the sole right of buying silver duty free, all the silver bought being sent to the mint for coinage. Such coinage could be left in the hands of the Government, and would only be undertaken when actually ordered by the Government; but still, I cannot help thinking that the Bank should have some share in the profit on coining, the proportion of such share to be decided by the Government. This would facilitate the raising of the capital of the Bank, and would prove that the Bank had the Government's goodwill and support.

"But in making the suggestion of a silver import duty, I do so with a view of trying to make the intrinsic value of the rupee more nearly approximate to its token value; and, if I have mentioned the coining of silver rupees by the Bank of India, supposing it were formed, it is because at some future period there might not be a sufficient amount of currency in the country in connexion with the payment of wages for the moving of crops, or the payment of troops, &c., &c.; and this, in my opinion, has been the weak point in connexion with the closing of the mints in 1893, namely, that since then nothing has been done to augment the available currency of the country, the population of which has unquestionably increased, and demands, therefore, increased facilities for making payments. This is the necessary consequence of the period of transition, in which the Government have ceased to add silver to the currency and no gold has been substituted for the silver. I think, therefore, that, while it may be necessary from time to time to coin rupees, it must also be part of the scheme to make the sovereign legal tender, as suggested by Sir Edgar Vincent in his evidence before the Committee and as intended by the Government of India. This would also facilitate the operations of the Bank, one of the principal objects of which is to introduce gold into the country.

"I should like to emphasise (should a gold standard with a gold currency be suggested) that gold should be current in commercial centres and for international transactions, but not necessarily for all Native internal purposes; and, in support of this argument, if we assume that the new bank is formed, and it will have the custody of the Government balances (these, if I am not mistaken, amounting to about five crores of rupees monthly, *i.e.*, just sufficient to pay the India Council bills), no gold would be withdrawn by the Government for the interior, but only notes or silver.

"*Advantages of the Bank.*

"The advantages of a bank of this sort would be multifarious, amongst the principal ones being the following:—

"1. A large sum of gold would be immediately provided.

"2. This sum would be found by private enterprise and without recourse to a Government loan, thus avoiding a further heavy permanent charge upon the revenues of the country.

"3. By the establishment of the Bank, the machinery would be at once provided for the effective maintenance of a gold currency and for the conduct of operations connected therewith, which can be far better carried out by an institution of this description than by a governmental department, especially as regards the gradual accumulation of a further stock of gold.

"4. The maintenance of a steady rate of discount. Money could never be dear in the principal centres of India for more than a few hours, namely, the time occupied in the exchange of telegrams, because, if a million sterling were paid into the Bank of England (presuming the latter to be the agents of the Bank of India, which, no doubt, would be the case), the Bank of India, on being telegraphically advised, would at once have a right to issue 1,000,000*l.* in notes, or to give out gold certificates pending the arrival of the bullion itself. I am aware that telegraphic transfers of this kind can be made now through the agency of the Government; but, without convertibility, it is not certain that the money could be had back when required.

"5. The establishment of the Bank would tend to create confidence in the public mind as to the security and permanence of the currency system, and would consequently be effectively instrumental in directing to India the flow of capital which is so desirable for the increase of her prosperity.

"The fact of there now being in India about 100,000,000 acres of uncultivated soil ought alone to be sufficient inducement to attract any amount of British capital, which, I believe, would be at once forthcoming if the British investor knew that there was a fixed rate of exchange between the two countries.

"The Bank should not conduct any exchange transactions, but should confine itself (like the existing Presidency banks) exclusively to internal operations, and it would also, when necessary, make advances to the Indian Government against deficiency bills, which is frequently the case with the Bank of England.

"Considerable amounts of silver and gold go yearly to India, but what becomes exactly of these amounts it is difficult to say. Whatever may be their ultimate destination, it is a pity that the Government should not derive any benefit from them, which they certainly would do if a more substantial import duty on silver were established. In addition to this, a gold standard, if attempted, would materially contribute towards the shipments of gold which would naturally take the place of those of silver.

"I am aware that, in the opinion of some, India would soon lose her gold; but against such a contingency the new bank would have to act for the first few years with great discrimination, and would have to exercise its judgment as between the gold required for internal and genuine trade purposes, and that which would be required for exchange operations as being the cheapest mode of remittance. In fact, each case would have to be considered on its own merits.

"In cases of small amounts intended for internal purposes, these would be freely given; but, in the case of any large amount for transfer or export, then the advisability of raising the rate of discount would have to be considered by the Bank authorities, which is the case all over the world when State banks are called upon to protect their stock of gold.

"The Bank of France takes very stringent measures for the protection of its bullion, by immediately charging a premium; the Bank of Germany has likewise the means of placing impediments in the way of exports of bullion, and the Bank of England has the power to raise its price for eagles, bar gold, and all foreign coins, to a certain extent, but naturally not for sovereigns.

"But in the event of the Bank running short of gold, then I would suggest that the Government should come to the rescue to the extent of 10,000,000*l.* sterling, by buying one or two crores of rupees, and, according to competent authorities, what with the gold raised by the Bank, and this Government subsidy, there should be sufficient to face all eventualities for some time to come.

"At the same time, I know that no special legislation in respect to the currency of any country is sufficient in itself to bring about absolute prosperity. Such prosperity depends upon the country's trade, which consists of its imports and exports; but, if giving stability to the currency would tend to bring about confidence, then, in proportion to the confidence thus restored, fresh capital would be forthcoming, and the trade of the country would flourish and increase in the same ratio; and I cannot help thinking that this would be accomplished if a gold standard were introduced and if a relative value of 15 to 1 were established between the rupee and the sovereign. If I say a relative value of 15 to 1, it is because the majority of the witnesses are of opinion that this is the ratio which one should seek to maintain permanently, and it is approximately the ratio which now exists and seems likely to continue.

"After all, the financial position of a country in respect to its currency should be judged by its credit and its resources.

"As regards the former, the credit of India is second only to that of England, and, as regards the latter, the exports of India considerably exceed its imports, as is shown by the demand for Council drafts and the quantities of gold and silver annually sent into the country.

"It is estimated that there are in circulation four rupees to every inhabitant in India, the amount in circulation being 1,200,000,000; and if by the introduction of a gold standard, and taking the exchange at 1*s.* 4*d.*, the fact could be established that the British £ is worth 15 rupees, then it is equally true that 15 rupees would be worth 1*l.* In fact, my idea of a gold standard with a gold currency is where the note of a State bank inspires such confidence that it passes *pari passu* with coin, and I feel convinced that the notes of the Bank of India would very shortly command the same confidence as do those of the Bank of England.

"But in addition to the reasons to which I have briefly alluded above, there is one which has much greater weight with me than any other, namely, that all great countries have of late years adopted the gold standard, and in view of the fact that China is the only important country at present which is a buyer of silver, and then only on a limited scale, it may perhaps be said that the day has already come when India would find it difficult, if not impossible, to get rid of any appreciable amount of silver if she were anxious to sell on a large scale.

"Under these circumstances I should like to see the future profits made by the exporters of goods, as well as those made by the internal trade, represented by gold. A part of this gold would certainly leave the country if the balance of trade went against India, but if there were no gold to export, then the exchange would decline to a much greater extent, and the rupee would decline in value likewise.

"I am also fully aware that it has been suggested that a proposal for the creation of a great bank in India with certain privileges, and which would presumably do a very large and profitable business, might arouse opposition on the part of the great financial institutions both in India and in Europe; I doubt this, but in any case I feel certain that that opposition would be of very short duration, and that these institutions would be the first to lend their valuable aid and co-operation, which would be easily secured if their directors or managers figured on the board of the new bank. The world, in fact, is large enough for every one, and I am sure that the London Joint Stock Banks and private institutions do not suffer because there is a Bank of England, and on that score, therefore, I am quite confident.

"I have purposely not entered into statistics, nor alluded to any figures; these have been so fully gone into by the different witnesses before the Committee, that I feel it would be impossible to add to them, and even useless to allude to them.

"I have ventured to set out this very important question in a wide and general way, being convinced that what has been carried out successfully by other countries, far less powerful in every respect than India, not only might but ought to be attempted in that country, and that we in England ought to lend our co-operation in the settlement of the currency question of a country with which we have such intimate relations, commercially and politically.

"Of course, where an experiment is made, it is impossible to speak with certainty as to its results; but it seems to me that this would be an experiment attended with a minimum of risk.

"The more advanced the principles in connexion with the currency of a country, the more they emphasise the civilization which exists; and, as India is England and England is India, I, for my own part, have every confidence and belief that a gold standard might be introduced, and have no doubt but that, in the course of time, the British £ would be accepted in India, in the character of full legal tender, as readily as in other parts of the Queen's dominions."

[Adjourned.]

TWENTY-EIGHTH DAY.

Wednesday, 15th February, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Mr. W. Duncan.

15 Feb. 1899.

Mr. WALTER DUNCAN called and examined.

11,854. (*Chairman*). You are Mr. Walter Duncan, of the firm of Walter Duncan and Co., of Glasgow, East India merchants?—Yes, the senior partner, and also of Duncan Brothers and Co., Calcutta.

11,855. Have you been engaged in the Indian trade for a long time?—It is rather more than 40 years since I arrived in Calcutta to establish a business which remains to this day.

11,856. How long were you in India?—I was 10 years resident there, and I have been connected with India ever since.

11,857. Since then you have resided in Glasgow?—Yes, I have only paid one visit to India of six months' duration.

11,858. Then you have had a very wide experience of Indian trade?—Yes, I have had a fair experience.

11,859. Now you remember the closing of the mints?—Yes.

11,860. Will you tell us whether you approved or disapproved of that measure?—I thought it was a mistake; I disapproved of it.

11,861. Will you give us your reasons?—I think it is better in the interests of India that the exchange should remain at the natural level instead of being appreciated by any artificial arrangement.

11,862. You are aware of the financial position of India at the time when the mints were closed?—Yes, and I sympathised most fully with the difficulties of the Government of India.

11,863. In your opinion what has been the effect on the trade and production of India of the closing of the mints? The experiment has been in force now, say, for six years. Will you tell us what you think has been the effect on the trade of India?—I think the full effect has not yet shown itself, because these natural laws work very slowly, though they work very surely, towards their end. It is always a difficult thing for a merchant to analyse the causes that produce a given state of things at any moment. It is his duty to try to do it, but there are so many influences working in different directions that it is a difficult duty. But I cannot get over the conviction that the closing of the mints, and so raising the rupee, tends to burden and must burden the exports of India, which is the interest of the great bulk of the population.

11,864. Will you just explain to us how that works out? In the first place, have prices risen or fallen?—Well, that is a very wide question, and it is not easy to give a single answer to it. There are many things the prices of which one can scarcely say have risen, there are are other things the prices of which have clearly risen, but it seems to me that on the whole—I am speaking over a broad period—for a long time there has been very little change in prices in India. I think any difference is due rather to a change in the commodity itself than to change in the standard of value.

11,865. Do you mean the supply has been insufficient for the demand, and that therefore prices have risen?—Prices have not much risen; that is my belief.

11,866. Then it would not be in the article itself?—But where there have been changes, I say it is due rather to seasons, for example, affecting the article itself than to any change in the standard of value in which the price of the article is measured.

11,867. Then am I to understand that, irrespective of the changes arising from the excess of supply, or the deficiency of supply, in the article itself, prices have been unaffected by the exchange?—They seem to have been very steady. The striking thing has been that silver has been such a good standard for India. I think it is rather a better standard of value for commodities in India than gold has been in England.

11,868. How has the price of silver run during the past six years—or rather the value of silver?—If you say the *value* of silver, then you raise the question of commodities again.

11,869. The price of silver?—The price of silver declined after the mints were closed, but it has risen since. It was down, I think, to 24*d.*, and it is 27½*d.* now.

11,870. Now, about the effect of the steady rise of exchange that there has been. There has been a steady rise of exchange, has there not?—Yes, for the last two years. For some time after the closing of the mints exchange fell.

11,871. For some time exchange fell, and then it began to rise, and it has risen pretty uniformly since?—That is so.

11,872. If the mints had remained open and exchange had still further fallen, what do you think would have been the effect on prices then?—I am not sure that prices would have been very different from what they are if exchange had fallen to 11*d.*, as probably it would have done.

11,873. I rather thought you held the opinion that higher prices would have ruled?—In course of time they would.

11,874. But not by now?—Possibly they would.

11,875. Who would have gained the advantage of those higher prices?—The producer of the commodities which are exported from India.

11,876. Do you not think that higher prices would have affected the cost of production?—It would have encouraged production.

11,877. That is not the point. Your argument, if I understand it correctly, is this: that the price becoming higher and the cost of production remaining the same, there would have been a larger margin of profit, which would have been to the benefit of the cultivator?—That is my view.

11,878. But do you not think it possible that the cost of production might have risen?—It is likely that the prosperity would have diffused itself through the whole community, and that the labourer would have got his share. I think that would come infallibly.

11,879. Have you any opinion as to how far the advantages consequent on a rise in prices would be neutralised by increased taxation?—I am not quite sure that I follow your question.

11,880. Take some of the instances you have given here. Take first what you have said with reference to cotton goods?—I think the right way for a Government to pay its way is to impose import duties. I look to the great example of England in that matter. I have put down here figures which would make up a revenue of Rx. 5,000,000, the amount that would be required if the 1*s.* 4*d.* exchange were reduced to a 1*s.* 1½*d.* exchange, or some say 1*s.* 2*d.* I prefer to say 1*s.* 1½*d.*, for this reason, that I take that figure to be the middle figure betwixt 11*d.* and 1*s.* 4*d.* Now, I give an analogy that I think will explain what I mean. If I had been raised 20 feet above the ground, and had only one way of getting down, namely, by dropping the 20 feet, I should expect some calamity—I should expect broken limbs. But, if any kind friend interposed a platform half way between me and the ground, I should have to drop only 10 feet at a time and so reach *terra firma* safely.

11,881. As I understand, you put the limit of fall at 1*s.* 1½*d.*?—That is so.

11,882. On what ground do you base that?—Because we have an artificial state of things out of which I think it is desirable that we should get in the wisest way.

11,883. The wisest way, if I understand you correctly, is that the rupee should be at its bullion value, and, of course, that the exchange should be affected accordingly?—Ultimately, but I mean only 1*s.* 1½*d.* in the meantime.

11,884. We are not dealing now with the meantime; we have to deal with the thing permanently. Now, suppose the mints were open, and that the silver value of the rupee went down to 10*d.*?—It is more than 10*d.* just now; it is rather over 10½*d.*, and I expect that with open mints it would not go lower but would rather go higher, and I have put figures down here to show that.

11,885. The point of your evidence is this, that a 1*s.* 1½*d.* rate is better than a 1*s.* 4*d.* rate for the trade of India?—That is so.

11,886. Why?—Because I think the chief consideration is India's interest as a producing country. If we put a burden on the production of India, India cannot prosper, and no interest in it can prosper. If India is prosperous, everybody concerned in the trade of India will be prosperous, because the people of India will be able to purchase what in their poverty they could not pay for. I will try to give you an illustration of how it tells. It is the producers who are the real exporters of produce from India, and with a low exchange they get so many more rupees. No doubt you will say that, if exchange were to fall, that would cheapen the gold price, and therefore tend to reduce the gold price in this country. That is quite true, but India is not the only producer of these articles; other countries produce them, and she is competing with other countries. We could compete favourably with exchange at the natural level, or, I believe, at something above it; but it would be hopeless to compete if the exports of India had to bear a 1*s.* 4*d.* rate of exchange, while others were competing on the privileged level of 10½*d.*

11,887. What have they had to bear on an average for the last 30 years?—There has been a much higher rate of exchange, but never an *appreciated* rate of exchange. I do not want a low rate of exchange. The *artificially* appreciated rate of exchange puts us at a disadvantage with silver-using countries. That is the serious consideration.

11,888. It puts India at a disadvantage with silver-using countries?—That is so.

11,889. Do you know the extent of the trade of India with silver-using countries?—But I mean in competing with other silver-using countries, though she may not be doing business directly with them.

11,890. Do you know that nearly 80 per cent. of the trade of India is with gold-using countries?—I am aware that that is so.

11,891. Would not that form one of the reasons upon which you ought to base your opinion?—It is with that knowledge that I have formed the opinion which I have expressed to you.

11,892. Then you think the prosperity of the trade of India dates back from the time when silver fell?—I would not say that. India was quite a prosperous country before silver fell, and I never had any desire that silver should fall.

11,893. Then will you tell me where the burden is? You say that a 1*s.* 4*d.* rate now would be a burden on the exports of India. I want to know whether that 1*s.* 4*d.* rate, or a 1*s.* 6*d.* rate, or even the 1*s.* 9*d.* rate which prevailed years ago, was a burden?—That was no burden, because it was the natural level, and the same as in other silver-using countries.

11,894. You said that before, but I want you to explain what you mean by that?—I mean, India competes with other countries; it competes with China, for instance. China will be remaining on a 10½*d.* level, or, even taking copper cash into account, 10 or 15 per cent. above that—say on a 1*s.* level—whereas we are working at 1*s.* 4*d.*

11,895. (*Lord Balfour of Burleigh.*) Do I understand that the use of the word "burden" in your answer means this, that, as compared with what would be the natural value of silver—take it for the moment at 11½*d.* or 1*s.*—the expression "burden," in your mind, is intended to imply the difference between the 11½*d.*, or the 1*s.*, and the 1*s.* 4*d.* which is the exchange at the moment?—That is so. I say India has to carry a burden from which China, a competing country, is altogether free. That is my point.

11,896. (*Chairman.*) Your argument really is now based on the Chinese competition?—Mainly, not solely.

11,897. Assuming China out of the way?—Then something would still remain.

11,898. But it would be very little?—Certainly it would be less.

11,899. With your experience in the Indian trade, will you tell us where and to what extent China is in competition with India now?—Well, it is not so much in competition with India, so far as tea is concerned, as it used to be; in point of fact, Chinese tea is pretty well driven out of the market; but we cannot leave out of view the events that have recently occurred in China. I think in all probability China will be a field for European capital and enterprise in the future which it has not been in the past.

11,900. What I want to see is where India has been in competition with China, and where it has been disadvantaged owing to a high rate of exchange, or take it on the silver basis, or in any way you like?—I have given as an illustration the case of opium. The Indian Government itself is a producer of opium on the Bengal side. Now in 1896 they sold 39,000 chests for a gross sum of Rs. 51,165,550. In 1897 they sold the very same quantity, which realised only Rs. 40,901,985, being Rs. 10,263,565 less, due to a difference in exchange.

11,901. Is there an effective competition now between Bombay and, say, any great Chinese place in the production of cotton or cotton goods in which the Indian market is at a disadvantage owing to the rise in exchange, or rather where China is at an advantage as against India, owing to the rise in exchange?—I think there has not been time for the competition to be effective; but there is a real hope that it will be; and I understand, from the manager of a large steam

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shipping company here that they have been carrying out machinery for years past in very large quantities to China. I understand further that building lots fronting the Shanghai river have risen very much in price, just for mills to be erected there.

11,902. All this is speculation as to the future?—It is a fact as to the machinery going out there.

11,903. And it is also a fact, is it not, that some of the Chinese mills have come to grief?—I do not know that. I know one was burnt that was not insured.

11,904. Do you know anything of the internal taxation of China?—I do not.

11,905. It is very different, I suppose you know, from the internal taxation of India?—No doubt.

11,906. And again, there is no coinage in China, in the proper sense of the word?—I do not know about that. I know that there is copper cash in use, and that it costs more than silver at the present price, so that there is a tax there to some extent.

11,907. I understand your opinion is that, supposing the mints were opened and exchange fell, and therefore there was an increase of taxation required in order to remit the gold to London for the payments that India has to make in gold, the best way to meet that would be by an increase of taxation?—Yes.

11,908. You say you are in favour of import duties?—Yes. Take the example of England, which it is well to consider; I think everyone knows and acknowledges that imports are the proper subject for taxation and exports are not.

11,909. Who pays the tax on imports?—The consumer. Let us take an example of these two things—tea and whisky. Whisky is produced in Scotland in very large quantities, as we know; yet the Government does not put a single penny of taxation on it as *a product*. They do tax it as an article that is *consumed* but not as *a product*; it is sent away perfectly free to the ends of the earth, whereas tea is an article produced in India and Ceylon chiefly; it is burdened with an import duty equal to 50 per cent. at least of its value. I ask would the moral sense of this great country not recoil against an incongruity of that kind if the question were not dominated by purely economic considerations.

11,910. The economical consideration is this, that the consumer is taxed?—Well, it is a wise thing to tax consumption because that rather leads to economy, and economy itself is a good thing. It is a bad thing to tax production, because that discourages the creation of wealth, and that is a bad thing.

11,911. That is rather outside what I was asking you just now. I asked you who would pay the increased taxation which you propose to impose upon India, and you said the consumer?—That is so.

11,912. Let me draw your attention to the resolution which you seconded at the Glasgow Chamber of Commerce in October last. That resolution is this: "That the true interests of India will best be attained "by a return, as circumstances may permit, to a "re-opening of the mints"?—Substantially so.

11,913. Is that the view of your Chamber?—It is not the view of the Chamber; our Chamber is very much divided on that question; but it is the view, I think, of those who have experience of India, Mr. Donald Graham, and others.

11,914. Now, do you think that opening the mints at once would cause widespread disaster to merchants and traders, and grave difficulty to the Government of India?—I think so.

11,915. Will you tell us very shortly the plan which you would recommend to the Committee in order to avoid that widespread disaster?—I think the Government of India could come, with perfect safety to itself, to a point midway betwixt, say, 1*s.* 4*d.* and 11*d.*, which is what I call the natural rate of exchange.

11,916. How would you proceed as to opening the mints?—I would keep the mints closed, and let the Government aim at 1*s.* 1½*d.* instead of 1*s.* 4*d.*

11,917. (*Mr. Campbell.*) You mean closed to the public?—Yes, that is all we mean when we talk of the mints being closed—simply closed to the public.

11,918. (*Chairman.*) But, as I understood, the resolution which you seconded at the Glasgow Chamber of Commerce asserted that the true interests of India require the re-opening of the mints?—Ultimately, yes, and I think so, too.

11,919. Ultimately, it would come to that?—Yes.

11,920. I want you to tell us how you would arrive at that?—I think that the future may bring us a great deal that we do not know of just now. I point in my paper here to what I think is a very striking fact, the growing disparity between the value of silver and the value of gold produced year by year. So recently as 1890 the value of silver produced in relation to the value of gold was as 108 is to 100. This last year we have not got the returns of silver, but we have got the returns of gold. Assuming that silver, which has been a diminishing quantity, is in 1898 the same as it was in 1897, the proportion instead of being as 108 is to 100, will be as 29 is to 100. I think that is a very important and weighty fact tending to give us some conception that silver has reached bottom, has passed it, and is now much more likely to rise in relation to gold than to fall. But, when we speak of the future, one must always speak with reserve and with modesty.

11,921. Your opinion is that the mints for the present should remain closed, but that the rate of exchange which, of course, using your own language, will be an artificial rate, should be 1*s.* 1½*d.*?—That is so. I think we must consider the present state of things, while cherishing the hope of our ideal.

11,922. Now, judging from the experience of the past year, do you think that the maintenance of the rupee at 1*s.* 4*d.* is compatible with prosperous trade?—I think it will seriously injure trade. I have some figures here; they are not at first hand, but they were taken from the "Home and Colonial Mail." I can give the imports and exports, but the balance of trade is perhaps the important thing. In 1895–96 it was Rx. 38,820,000. Next year it had fallen to Rx. 23,850,000 and last year 1897–98 it had fallen to Rx. 14,775,000. I think that is a very striking fact, assuming it to be a fact.

11,923. Do you consider the trade of India to be prosperous just now?—I do not think it is prosperous just now. The jute mills have just agreed upon short time, to come into effect from the 1st April. The imports of cotton goods during the last four years were as follows:—In 1894–95, Rx. 32,673,000; next year, Rx. 25,756,000; the next year, Rx. 29,750,000; and in 1897–98, Rx. 26,395,000. I do not, for a moment, suggest that all that is due to the appreciated rupee; we have had famine and other considerations to take into account; but what I always say is this, the most difficult thing that any merchant who tries to be fair with himself has to do is to analyse causes.

11,924. The famine would be a disturbing element?—No doubt it would contribute its share.

11,925. And probably the increased production of cotton goods in India would be a disturbing element?—Quite likely, but the imports of other merchandise show an increase in these years, whereas cotton goods show a decrease.

11,926. But taking the trade of India, as a whole, do you think it is decreasing?—The imports, as a whole, have not decreased in the last four years, they have rather increased, but the exports have decreased. Taking these figures, as I say again, to be authentic, the exports in 1895–96 were Rx. 118,000,000——

11,927. We have all the figures before us; I do not think you need go into that?—Very well.

11,928. (*Lord Balfour of Burleigh.*) What are the considerations which lead you to fix upon 1*s.* 1½*d.* as your favourite rate of exchange?—My conviction,

which I hold with all deference to the views of others, is that we shall never be right until we have returned to open mints; but we are in an artificial state of things just now, and we must consider the position. To return immediately to open mints would, I think, produce disaster to merchants and traders, and grave difficulty to the Government of India.

11,929. Do I understand that you would return at once to 1*s.* 1½*d.*?—Yes, and I have shown how the Government could easily pay its way if that were done.

11,930. Why do you take 1*s.* 1½*d.* as the rate?—Because it is the middle betwixt 11*d.* and 1*s.* 4*d.*, and it is easier to proceed by two steps than by one, easier and safer.

11,931. Your ultimate idea is to get back to open mints, utterly irrespective of how high or low silver may go?—I have faith in the future of silver.

11,932. But suppose your faith should be not well placed—it is a very speculative subject; new silver mines may be discovered, and so forth, and it is not beyond the bounds of possiblity that silver may go very much lower than it has?—I think it is beyond the bounds of possibility. That is my opinion.

11,933. Why?—Because everything that can tell against silver has been telling for years past, and the result has been not a lower price for silver but a higher. If we were to open the mints it would create an increased demand. China has got a very great future; so has Africa; and both need silver.

11,934. But, after all, the real factor in the value of silver will be its cost of production?—Yes, that is so with all commodities—and demand and supply.

11,935. Do you know what is the cost of production of silver now under favourable circumstance in the best mines?—I have heard it stated as low as 1*s.* 8*d.*, but that is exceptional, and I think that would no more regulate the price of silver than the salmon that leaps into the fisherman's boat and costs him nothing affects the price of salmon, to use an illustration with which we are all familiar in economic writings.

11,936. So the policy that you advocate obviously does hinge entirely on the future of silver?—Yes, and I think everything warrants our anticipating a reasonable price of silver. Everything has been against silver for years past, and yet silver has risen.

11,937. Suppose America were to cease the purchase of silver in order to coin silver; would that have a bad effect?—No doubt. But you know our Scotch proverb usually given in answer to suppositional questions: "If the lift should fa' it would "smore the laverocks," which in English is, "If the "heavens should fall the larks would be smothered," and yet they sing.

11,938. Do you consider it as improbable that America will give up buying silver and coining it as that the heavens will fall?—Oh, I do not say that.

11,939. Then you would not press your proverbial analogy too far?—No, but it illustrates the difficulty of dealing with hypothetical questions.

11,940. (*Mr. Campbell.*) With regard to the competition of China or other silver-using countries with India, you do not suggest, do you, that it is only in competition with these countries that the question of exchange tells?—No, it tells quite as much in the South American markets—Argentina for example.

11,941. You think the rate of exchange affects India's trade and competition with gold-using countries to a certain extent?—Yes.

11,942. For instance, in regard to the supply of wheat to the English market. At a low rate of exchange India might be able to outbid America, whereas, if the rate were raised, it might give America the advantage?—Quite so. India could not compete effectively at the price.

11,943. Therefore, it is not only with silver-using countries that this question of exchange tells, but in competition with gold using countries also?—That is so; all other countries that produce similar commodities.

11,944. You say in your paper that you hold that it is no part of the functions of Government to regulate the volume of currency?—What I mean by that is that, if a Government enter upon that course, it enters upon a very injurious policy. I do not want to put it in any offensive language, but that is what I mean, and I am not aware that any Government has tried to raise exchange by doing that.

11,945. You think that the regulation of the volume of currency should be left to the operation of trade influences?—That is my view entirely.

11,946. Then, taking the question of the ratio, whether it is 1*s.* 4*d.* or 1*s.* 2*d.* or 1*s.* 1½*d.*, would you say that whatever ratio was fixed upon should be one that would permit of gold coming to India freely and automatically and without artificial assistance?—Of course, so long as the rupee is appreciated we cannot say it is relieved from all discouragements, but I do think that at, say, 1*s.* 1½*d.* it is much more likely to come. The argument is often used that, if exchange were steady, gold would go to India; but it seems to me that English gold will go out there only if it can find profitable investment; and my belief is that an appreciated exchange puts such a tax upon exports of every kind, whether they be the produce of the soil or the products of modern machinery, that you would not have prosperous undertakings in India.

11,947. Then you suggest that in addition to offering 17 rupees for the sovereign the Government should also have the power to coin rupees themselves?—That is so.

11,948. But to the extent to which gold came in as currency at 17 rupees to the sovereign, the currency would be to that extent replenished, and the need for coining rupees would be correspondingly reduced?—That is so, and therefore I fall back on providing a budget from taxation.

11,949. Would you admit that there are any objections to allowing the Government to make a profit out of the coinage by turning out a rupee worth 1*s.* 2*d.* or 1*s.* 4*d.* out of 10*d.* or 11*d.* worth of silver?—I cannot regard the principle as sound, but it is much more pardonable to do it at 1*s.* 1½*d.* or 1*s.* 2*d.* than at 1*s.* 4*d.* The Government just now are relieving the burden that falls on them by raising exchange to 1*s.* 4*d.* I say you cannot create wealth by a financial device. You can shift the burden from one interest on to another. By raising the rate of exchange to 1*s.* 4*d.* the Government is relieved to a certain extent, and imports get a certain bonus, but both of these forms of relief must rest somewhere, and they fall upon exports, which I say is the very last thing that should be taxed; quoting the example of England again in justification of that remark.

11,950. With regard to this power of coining, do you think it would be right to give the Government full discretion, or that there should be certain restrictions imposed to prevent the possibility of over-issues?—I am not sure that I have considered that question sufficiently to give evidence of any value; but I quite see this, that, if the rupee be appreciated in that way, it is open to abuse the same as paper currency is open to abuse.

11,951. Speaking generally, you recognise the necessity of some check?—Yes, I think it would be advisable.

11,952. Now, taking 11*d.* as the intrinsic value of the rupee, I think you hold that the difference between that and the Government rate of 1*s.* 4*d.* operates to that extent as a tax upon exports, while at the same time it operates to the same extent as a bounty on imports?—That is my view.

11,953. And you would propose to equalise that to some extent by reducing the rate to 1*s.* 1½*d.* and raising the import duties to 10 per cent.?—I would.

11,954. You think an arrangement of that kind would be in no way unfair towards imports?—Very far from it. Even then I think imports would still get a bonus. The Manchester interest is a great interest;

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it deserves to be considered and will be considered. But Manchester manufacturers who want open mints could desire nothing more than free imports. Now a piece of shirting costing, let us say, 5*s.* with exchange at 11*d.* would cost 5 rupees 7 annas 3 pies free of duty, whereas with mints closed to the public and exchange at 1*s.* 1½*d.*, even though that 5*s.* were taxed to the extent of 10 per cent. and made 5*s.* 6*d.*, the cost in rupees would be only 4 rupees 14 annas. Therefore there is still a bonus to imports.

11,955. There is still a bonus to the imports after making the adjustment you speak of?—That is so; a bonus of over 9 annas on every 5*s.*

11,956. Now, if a suitable ratio were adopted at which currency would flow into the country, what effect do you think that would have on the country's prosperity?—I am quite sure that exports would receive a great stimulus. The producers, who number 180 millions, would prosper, and therefore imports would certainly prosper as well, and the indirect gain to the Government would be very great from railways and otherwise.

11,957. Do you think that the revenue would expand under those circumstances?—I think the revenue would expand certainly, because the area of cultivation would be increased and rents would rise—slowly, but surely.

11,958. You think the revenue might expand sufficiently to enable the additional taxation you suggest to be dispensed with?—I think that is quite a reasonable expectation.

11,959. (*Sir C. Crosthwaite.*) You say that the method adopted by the Indian Government has been to close the mints and restrict the currency. What is the object of the Indian Government? Is it merely to restrict the currency or have they any further object?—That is a step towards a further end—to raise the rate of exchange, and so save them the loss on their remittances.

11,960. Is that the object with which the mints were closed?—I so understood.

11,961. Was it not to introduce a gold standard?—I believe it was.

11,962. Was not that the avowed object—the very purpose for which the thing was done—to lead to the introduction of a gold standard?—Then it was a step to something else. Ultimately it was to relieve the Government from the burden of meeting the 16,000,000*l.* or 18,000,000*l.* sterling in this country.

11,963. But the object was to introduce a gold standard?—Quite so. My evidence can be of no value as to that, but I admit that, as you put it to me.

11,964. When you say that there is no precedent for such a step, do you know of any other method by which a gold standard can be introduced into a silver standard country, except by the preliminary step of closing the mints to silver?—But 15 rupees to the sovereign is no necessary condition of a gold standard. It might as well be 18 or 20.

11,965. The radical distinction between you and the Government of India is that the Government of India aim at a gold standard, and you would have no gold standard at all?—That is so.

11,966. You have laid stress on the fall in the price of opium. Have you examined the latest statistics of opium sales?—I have not the latest statistics before me.

11,967. Are you aware that the price of opium has risen considerably since last December?—I am not aware of that. I have no knowledge on that subject.

11,968. (*Mr. Le Marchant.*) You allude to the price of opium being very low in the year 1897. Have you observed whether it has been as low, or even lower, in past years?—I think not so low in past years—never so low in past years, so far as my recollection goes.

11,969. Not even when the mints were open?—Not when the mints were open. I am not speaking of the price just now so much as the aggregate value.

11,970. How far would the aggregate value depend on the quantity of the crop that had to be sold?—I know that the Bengal Government used to sell 55,000 chests in former years; it has been a declining trade; it has always been an uncertain trade. I remember very well when Mr. Wilson came out in 1860 that he deprecated much reliance being placed on the opium trade. He thought that it was a trade that would diminish, and, perhaps, disappear ultimately.

11,971. In your notes you speak of the same amount of chests being sold in 1897 as in 1896, but realising in 1897 Rs. 10,000,000 less than in 1896. You attribute that difference to the rate of exchange?—Yes, the price in China being the same, the difference in exchange would account for it.

11,972. The price in China you look upon as a fixed quantity?—Not necessarily; only as a merchant I observe this; the closer you come to the consumer the more difficult it is to raise prices.

11,973. But the consumer's power of purchasing may be affected by a good many circumstances?—That is so.

11,974. You allude in your notes to the introduction of the precious metals as having formerly diffused wealth. Do you regard silver as having come in for ordinary commodity uses or solely for currency purposes?—For both.

11,975. Should you say one more than the other?—It used to be about 8,000,000*l.* sterling of silver that was introduced annually into India (I am speaking from memory), and it was understood that about half of that was coined into rupees, the rest being taken for other purposes.

11,976. Do you think that the bulk of what was coined in rupees was added to the currency?—In the first instance, but then a great deal was taken from the currency for manufacturing purposes, because with the stamp upon it it was a guarantee that it was silver of acknowledged purity.

11,977. Would you regard the amount of silver that came in in that way as a test of prosperity?—It speaks to the balance of trade.

11,978. May it not speak to a preference for taking silver rather than other commodities?—No doubt, but then silver is the form in which the surplus wealth is kept. A man does not buy two needless *dhooties;* he rather puts his surplus into coin. It is after all his common needs are met that he would lay by his surplus wealth, and in that form.

11,979. If other imports are now being taken in greater proportion, would that not show that the country had a preference for other forms of commodities instead of silver?—I do not know to what period you refer.

11,980. I think you say the higher exchange tended to cause a larger importation of commodities generally?—It helps; it cheapens the rupee price.

11,981. Then would you regard the result as being worse for India than if India took silver?—I would not regard it as being worse.

11,982. You say: "Despite the supposed advantage to imports of an appreciated rupee, the trade in cotton yarns and piece goods shows no increase, but rather marks a decline"?—Yes, I have given figures already to that effect.

11,983. Is that an exception to what you regard as the general rule?—Increase is the natural thing to look for. When I went to India, 40 years ago, Calcutta imported 25 millions or 26 millions, or at the most 28 millions of yards monthly. She now imports 90 millions; but we know that the population has increased. Sir Robert Giffen has given us the facts in his lecture, which appears in the *Times* this morning, of the great increase of population, and therefore the trade ought to expand correspondingly.

11,984. But you would say that this trade does not increase in the same proportion?—I am speaking of the last few years; but then I do not assign that to any one cause. I say there is more than one cause. Let me explain that we have had famine and troubles of various kinds, and very likely these have had their influence.

11,985. Do you think that the local manufactures in India would have had something to do with that, the out-turn of the Bombay mills, for instance?—No doubt that is so.

11,986. But putting those particular commodities aside, would you say that imports had been increased by the closure of the mints as a matter of fact?—There, again, my difficulty is to analyse the causes that produce the effect which we acknowledge. I wish to speak with great reserve, because I know the difficulty as a merchant who has had in the course of his life to analyse causes. There are currents in this direction and currents in that direction.

11,987. (*Chairman.*) Cross currents?—Cross currents; and he is not a wise man who jumps to a conclusion in matters of that kind. But what discourages exports cannot be good for imports in the long run.

11,988. (*Mr. Le Marchant.*) I thought from your singling out these two particular articles that you viewed them as an exception to the general rule that imports would be increased?—Cotton piece goods are the largest single article, and therefore I selected them.

11,989. But you find, as a matter of fact, they do not increase?—The last few years they have not increased; but, if you go far enough back, you find they have increased wonderfully. As I say, when I went to India the first time, and found 28 million yards coming out in one month—it was too much; now we find 90 million yards imported in a month.

11,990. I wish to arrive at what conclusion you draw from the facts which you mention in this paragraph?—What is in my mind is this, that raising the rate of exchange does *directly* favour imports, and does *directly* burden exports; but, inasmuch as imports must in the long run be paid for through exports, the serious question remains. If the exports are burdened the country cannot prosper, and if it does not prosper it cannot afford to pay so freely for piece goods or anything else.

11,991. And you consider that the reason India is not taking piece goods in larger quantities is from this hampering of exports?—There again, I must just repeat what I said. I acknowledge there have been experiences in the last few years, in the way of famine and so on, that very likely have contributed their share to this result.

11,992. Also the Indian manufactures at home?—Very likely that also.

11,993. What would you say of exports in the present season? Would you regard them as being on a favourable scale compared with average years?—The last three years they have been steadily diminishing.

11,994. But take the present season—what should you say?—You have had better crops following upon a time of famine; but I think in a broad question of this kind, no one can safely rely on one year or two years; you need a longer average in order to illustrate how a law operates.

11,995. Would not the restriction of currency be operating now with increased force? Now that the mints have been closed for six years, would not one expect a marked and visible diminution of exports at this moment?—I would not say marked; I would not expect marked. Last year, for example, there was a great impulse given to the export of wheat, not from anything special in India, but from the great rise in price which took place in this country for some time, which again originated in the brain of one distinguished man in Chicago, Mr. Leiter.

11,996. Which would you view as the more important condition, exchange, or those other influences which you speak of?—It seems to me that, if you raise the rate of exchange, you introduce an element which is bound to tell—to tell steadily always and increasingly against India as a producing and exporting country. That is the law. I would not wait for statistics, or expect statistics to do anything else than illustrate that. The law appeals to us as certain to act always.

11,997. And you would regard statistics as proving it so far as they go?—I am not quite sure that they would *immediately*; but in the long run they would.

11,998. But up to now?—Well, I think you need a broader average to give you reliable evidence.

11,999. (*Sir A. Dent.*) You advocated imposing a duty on cotton goods to benefit the Indian revenue, and you also advocated that the duty should be taken off tea in this country?—Oh, no.

12,000. You do not advocate that at all?—Not at present. I think the Government of this country is well enough guided in its fiscal arrangements. I would be glad to see the tea duty taken off, but I am merely putting it as an illustration of the different way in which the Government of this country proceeds, and the way in which the Government of India has proceeded.

12,001. The great object of putting a duty on tea in this country is, I take it, to levy a tax upon a certain part of the population who would otherwise not be taxed at all?—That is so, and it is perfectly legitimate, I admit.

12,002. I thought you advocated the removal of the duties here, and I was going to say that it is very doubtful whether the planters in India and Ceylon would favour that. Now you say that silver is a good standard for India?—I think it has been a good standard for India.

12,003. Does that mean that you are against a gold standard in any form?—I am against a gold standard, certainly, at the ratio.

12,004. (*Chairman.*) The question is, are you against a gold standard or not?—Well, I am against a gold standard.

12,005. You are against a gold standard altogether?—Yes.

12,006. (*Sir A. Dent.*) Then you favour 1*s.* 1½*d.*, as being a natural rate of exchange, and you think that profit on coinage would be more pardonable at that rate than at 1*s.* 4*d.*?—I do not regard 1*s.* 1½*d.* as a natural rate. The natural rate, I should think, would be about 11*d.*

12,007. But 1*s.* 1½*d.* would be a more natural rate than 1*s.* 4*d.*?—A more natural rate. I take it as the middle betwixt the natural and artificial rate now existing.

12,008. You point also to the large increase in the production of gold and the way in which the production of silver is, anyhow, not increasing. If the Indian Government were to fix their limit of exchange now too low—for instance, if they fixed it now at 1*s.* 1½*d.*—but some 10 years hence it should be found that that was a very improper rate, owing to the relative production of gold and silver, what do you think would happen?—Then the cure would be easy. They would open the mints and bring about the natural level. That would be a solution, I think, perfectly possible and desirable; although, as it is prophetic, I would not like to be sure of it. I should be very glad to see exchange at 1*s.* 4*d.* if it came about in consequence of silver rising in gold price.

12,009. But the object of the Indian Government is of course to have gold, and they could not throw their mints open to the world and get their gold?—But I was assuming that we were not to have a gold standard.

The witness withdrew.

Note subsequently handed in by Witness.

May I be allowed to refer to the universally acknowledged help that railways give in delevoping India? The evidence of Sir A. P. Macdonell before the Committee on that subject is alike interesting and instructive. But after all what can they do? They may *cheapen* transport to the sea-board by 10, 15, or at most 20 rupees, or a maximum of 1*l.* 6*s.* 8*d.* per ton. But a 1*s.* 4*d.* rate of exchange *adds* 35 or 40

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rupees, or a maximum of 2*l.* 13*s.* 4*d.* per ton, to the gold price of ordinary produce, while on tea it adds at least 14*l.* per ton.

We give to the people of India good government, and, so far as human power can avail, we protect them from the three great providential scourges of war, pestilence and famine, so that they are increasing at the rate of 8,000 every day. But, if we condemn them to a deeper poverty by interposing a prohibitive finance betwixt them and the foreign market for the produce of their labour, where is the blessing?

In illustration of what I have said, that we cannot *create* wealth by any financial device, though we may relieve one interest by burdening another, let me submit the following figures. Taking exports at 70,000,000*l.*, imports at 52,000,000*l.*, and Government remittances at 18,000,000*l.*, the comparison stated in millions stands thus:—

		Differences.			
	At 1*s.* 4*d.*	At 1*s.* 1½*d.*	At 11*d.*	At 1*s.* 1½*d.*	At 11*d.*
	£ Rx.	Rx.	Rx.	Rx.	Rx.
Exports -	70=105	124½	153	19½	48
Imports -	52= 78	92½	113½	14½	35½
Government Remittances	18= 27	32	39½	5	12½

Thus to save 300 millions of people from paying taxes amounting to Rx. 12½ millions = 6⅔ annas each, we have put a tax of Rx. 48 millions upon 180 millions of the poorest, which amounts to 42⅔ annas each. My proposal is to relieve those 180 overburdened millions, to the extent of Rx. 19½ millions, by putting Rx. 5 millions upon the whole population; that is to say, I would burden all who share in the benefits of good government, to the extent of 2⅔ annas each, in order to relieve three-fifths of their number—the poorest—to the extent of 17⅓ annas each. This is an argument based on equity, and is quite apart from the all too reasonable fear that under the present disabilities to exports the balance of trade may so seriously diminish as to produce an absolute deadlock. The *tendency* must be in that direction though it may only be after prolonged suffering that the result becomes unmistakable.

Then, in regard to the great loss which the Government of India sustained as a producer of opium in 1897, compared with 1896, I hold it to be demonstrable that the loss was due to the Government's financial policy more than to any or all other conceivable causes put together. The point is important chiefly as an illustration of the way in which the interests of other producers for export are prejudicially affected by that same policy, for their positions are analogous.

WALTER DUNCAN.

Mr. J. E. O'Conor, C.I.E.

Mr. J. E. O'CONOR, C.I.E., recalled and further examined.

12,010. (*Chairman.*) I will first of all ask you one question about a statement made by the last witness, Mr. Walter Duncan. Speaking of Bengal opium, he says that in 1896 the Government sold 39,000 chests for a gross sum of Rs. 51,165,550; and, in 1897, it sold the very same quantity, which realised only Rs. 40,901,985, being Rs. 10,263,565 less?—The fact is that the price of opium is a most fluctuating thing. It is the most speculative trade in India, so much so that it might even be called a gamble. In 1897 the Marwaris were not able to gamble as freely as they had been able to do when the rate of discount was lower, the stringency of the money market restricting their operations, with the result that the active competition of ordinary years was absent. This was the main cause of the fall in price, but there has been a recovery since.

12,011. What is the price now?—In September 1897 the price was 968 rupees a chest, in September 1898, 1,079 rupees; in October 1897, 984 rupees, October 1898, 1,073 rupees; November 1897, 987 rupees, November 1898, 1,134 rupees; December 1897, 1,040 rupees, December 1898, 1,138 rupees.

12,012. That is about a 10 per cent. rise all round?—Yes.

12,013. Have you got the quantities sold in 1898?—We are selling and exporting more than in 1897. Of Bengal opium the number of chests sold up to April 1897 was 3,250 a month; from April down to December 1898 the number was 3,400. In connexion with the export trade we must take into consideration Malwa opium. The trade does not consist of Bengal opium alone; there is a large quantity of Malwa opium, and Malwa opium has revived considerably after a period of great depression extending over some years. There is a much larger export of Malwa opium from Bombay this year than last year. The exports of opium in the first nine months of the present year, compared with the same period in the two preceding years, are:—

	From Calcutta. Chests.	From Bombay. Chests.
1896–97 - - -	29,030	17,534
1897–98 - - -	29,361	14,106
1898–99 - - -	30,778	19,084

12,014. You say that the stringency of the money market prevented the Marwaris from borrowing money for the purpose of speculating with it. Now that the market is resuming its normal conditions, there is nothing to indicate that opium is being affected by the rate of exchange?—Nothing at all. Business operations and speculation have been actively resumed. Perhaps you will allow me to point out that during the years when the mints were open the price of opium was frequently much lower than it is to-day or was in 1897.

12,015. In your evidence before us last July, you were asked a question with reference to the allegation that the closing of the mints has caused great dissatisfaction in India. Would you say whatever you have to say upon that point?—I said that no such evidence was forthcoming. We examine the native press with the greatest care in India from week to week, and, if there is anything causing dissatisfaction among the people, we hear of it from the native press as well as from other sources. We never heard at all that there was such dissatisfaction. The native press always makes itself promptly heard if there is any kind of a grievance or dissatisfaction, and the subject is kept permanently before the public. Neither from the native press nor from other sources has there been any indication of dissatisfaction with the action of Government in closing the mints. A witness before this Committee demurred to that remark, and pointed as evidence of dissatisfaction to a resolution passed by the National Congress last December. I have that resolution here, Mr. Wacha, of Bombay, a Parsee gentleman, who has written extensively on the currency question for some years past, moved the following resolution—

> "(*a.*) Resolved, that, having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss, either by changing the currency at a heavy cost, or contracting the internal currency, must add to the pressure on India's monetary resources and to her trading disadvantage.
>
> "(*b.*) That the only real relief is carrying out practically the principle, affirmed by competent authorities, of England bearing an equitable share of that expenditure.

"(*c.*) That the Congress regrets that, save Mr. Romesh Chunder Dutt and Mr. Merwanji Rustomji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee, of which Sir Henry Fowler is the President.

"(*d.*) That the President be authorised to request Sir W. Wedderburn, Chairman of the British Congress Committee, to communicate the foregoing Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London."

That is the Resolution of the Congress, passed in Madras, on the 29th December 1898, which was pointed to as evidence of dissatisfaction. I have been looking through the annual proceedings of the National Congress to see what it has said from time to time upon currency matters, and this is what I find. In December 1892, during the agitation for the closing of the mints, the Congress resolved:

"That, having regard to the diversity of opinion that prevails on the currency question, and the importance of the question itself, this Congress desires to express its earnest hope that, unless its hands are forced by the action of any Foreign Power, necessitating a change in the currency or the standard, which might prove injurious to the interests of the country, the Government of India will refrain from taking any steps until the labours of the Brussels Conference have been completed; and, further, that the Government will lay before the public for discussion the proposals which Lord Herschell's Committee may recommend, before definite action, if any, is resolved upon."

In December 1893, after the mints were closed, Mr. Dadabhai Naoroji being in the chair, it was resolved:

"That this Congress places on record its deep regret at the recent hasty legislation of the Government of India closing the Indian mints against the private coinage of silver, whereby the people of this country have been subjected to further indirect taxation of a burdensome and indefinite character, and some of the most important trades and industries, notably the mill industry, have been seriously disorganised and injured."

Between December 1893 and December 1898 the National Congress did not revert to the subject. In December 1898, the resolution read just now was preceded by only two speeches, which were made by Mr. Wacha and Mr. Iyer. Those speeches may be called in effect mere political speeches.

12,016. You still retain your original opinion that there is no general dissatisfaction existing in India upon this question?—If there had been any dissatisfaction we should not have been left to hear of it more than five years after the closure of the mints from a resolution passed by the National Congress. When I gave evidence before, I remarked that there were no expressions of dissatisfaction, although attempts had been made from England to incite to such expressions. An illustration of my meaning occurs in connexion with the resolution of the National Congress to which I have been referring. It appears from the report of the proceedings that the following telegram was sent, though unnecessarily, to the Congress:—"From the Royal Exchange, Calcutta, "Mr. Forbes Mitchell" (described by the Congress Chairman as "a well-known gentleman of Calcutta "and friend of India"): "Mr. Barclay, Chairman "of the Manchester Chamber of Commerce, hopes "that the National Congress will protest against "the gold standard." On receipt of this message a copy of the resolution was sent to Manchester, as the Committee were informed.

12,017. (*Lord Balfour of Burleigh.*) What inference do you want us to draw from the fact that there was nothing done between 1893 and 1898?—That there was no dissatisfaction in the sense in which the word has been used before this Committee.

12,018. (*Chairman.*) Now we will go to the question of illicit coinage. We should like to hear what the Government of India have said in respect of illicit coinage of rupees. Will you state their views and give us the evidence on which it was based?—I have here a despatch from the Government of India, dated the 12th January 1899, in which they send all the information they had. The following paragraphs contain the gist of the despatch:—

"We have already, in reply to your Lordship's telegram of the 28th November, telegraphed the substance of the information at our disposal in regard to cases of illicit coinage recently discovered. We now beg to say that Mr. Henry's remarks attracted our attention before the receipt of your Lordship's despatch, and we made inquiries on the subject. We forward a copy of our correspondence with the Government of Bengal, from which it will be seen that Mr. Henry's remarks as to the likelihood of coins, with the same proportion of silver as Queen's coins, being produced in large quantities were wholly conjectural. For it is now admitted that, although special measures have been taken since the closing of the mints to watch persons previously convicted or suspected of coining, and several hundred counterfeits have been collected by the police in Bengal, only five false coins have been detected in the last five years the composition of which approximates to that of genuine coins.

"We may further add that, in connexion with the remark made by the Chairman of the Assam Branch of the Indian Tea Association, in his letter of 20th June 1898, a copy of which was sent to your Lordship with our Financial Despatch, No. 235, dated the 4th August 1898, we caused inquiries to be made as to the alleged circulation of spurious coin in Assam. We enclose a copy of the correspondence with the Chief Commissioner. His inquiries are not yet complete, but all reports yet received from district officers, some of whom have made most minute inquiries, tend to show that the number of spurious coins in circulation in Assam is very small, and not increasing.

"We beg to enclose a copy of a memorandum we have caused to be prepared of all cases of counterfeit coinage which have been specially brought to our notice within the last year or so. The evidence afforded thereby in no way justifies the fears that have been expressed as to the possible production on a large scale of counterfeits containing a high percentage of silver, nor is there any evidence of a large increase of silver counterfeits in the experience of the Calcutta Mint, to which specimens of the counterfeits discovered in Bengal and Northern India have been sent for assay. During the past year the Assay Master, Calcutta, received for assay 205 counterfeit coins, of which 101, very nearly 50 per cent., contained no silver whatever, while 104 contained silver varying in proportion from 6·08 per cent. to 90·50 per cent., the standard for genuine rupees being 91·66 per cent. We append a table showing the proportion of silver found in each of the 74 whole rupees assayed.

"We also wish to bring prominently to your Lordship's notice that, with the exception of six coins struck between dies (all of one batch) which were recently detected by the National Bank in Calcutta, all the counterfeits discovered have been cast in moulds, and that this method of manufacture is too laborious and slow to admit of coins being produced in sufficient quantities to constitute a danger to the currency of the country. The origin of the one batch of coins that were struck has not yet been discovered, but it seems to us in the highest degree improbable that the machinery required for turning out coins in large quantities could be imported and used anywhere in British India without immediate detection.

"We remain, therefore, of the opinion expressed at the close of our telegram of 26th December, that there is no evidence of counterfeiting on any appreciable scale, and we think with your Lordship that the

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re-appearance of coins of the earlier issues is due to hoards being brought into circulation owing to famine, and also, perhaps, to the stringency of the money market during recent years, and to the attraction of purchasing cheap silver bullion."

The Chairman of the Indian Tea Association, at a meeting in June last year, remarked that the amount of spurious rupees in circulation in Assam required the serious attention of the Government. Thereupon, the Government of India asked the Chief Commissioner of Assam to report whether spurious coin was circulating in Assam, as was alleged. After elaborate inquiry, he answered to this effect:—"The "Chief Commissioner believes that there is very "little counterfeit coining in Assam of a kind which "would be likely to deceive a person of ordinary in- "telligence and education. The remark of the "Chairman, Assam Branch, Indian Tea Association, "which you refer to in your letter under reply, "appears to have been based on the discovery of "certain coins which were not counterfeit, but "genuine rupees that had been tampered with or "sweated, and must have been brought into Assam "from Calcutta. This was the effect of a report by "the Master of the Mint on the coins which Mr. "Buckingham sent him for examination. I am to "add that the Inspector-General of Police, Assam, "and other officers whom the Chief Commissioner "has consulted are also of opinion that there is no "great circulation of spurious coin in the Province."

Among the reports that the Chief Commissioner sent in were several from large tea companies and from the manager of the Assam Railways and Trading Company. He wrote:—"About 10 spurious rupees "only have been found by the chief cashier during "the last 14 years amongst their receipts, which "amount to about Rs. 67,000 monthly in cash alone. "They have not experienced any increase in spurious "coin amongst their large takings from the railway "and other ventures of the company during recent "years." Similar answers were given by everyone consulted — managers of stores, planters, officials, managers of tea companies, managers of trading companies, bankers, and so on.

12,019. Then you still adhere to the view you expressed when you were before us last year?—Yes, and in addition to the official evidence supporting that conclusion, I have evidence obtained privately. In a letter from Mr. Lindsay, now acting manager of the Bank of Bengal, he says, "I can get you from "Hyderabad any number of illicitly coined Halli "Sicca rupees made of pure silver; but they will be "of no use to O'Conor, as the Farrukhabad coinage "case proves that native State coins can be readily "imitated by ordinary village silversmiths. What "O'Conor wants, I presume, is a counterfeit of the "British Government rupee, made of pure silver, "and you may tell him that the cash department of "the Bank of Bengal have never come across any "coins of the kind." I am informed also that Messrs. Ralli Brothers, who have very large transactions in cash, have found no such coin, though they find the ordinary counterfeits such as have always been made, in the usual small proportion. Mr. John A. Anderson, a member of a mercantile firm in Calcutta, has sent me 17 samples of counterfeits, containing a varying proportion of silver. He informs me that it took three weeks to collect this small number, though banks and brokers were engaged in the collection. With them he sent me a report by Colonel B. Scott, C.I.E., Master of Her Majesty's Mint at Calcutta, from which it appears that, of the 17 samples, one was genuine, but it had been used to hang on a necklace, and was mutilated; of the other 16, one only was struck in a die, and it was struck so badly that when it was put into circulation it was rejected.

The difficulty in striking coin in a die is that the coiners have no sufficient stamping power to do the thing properly. When done by hand, owing to the hardness of the metal, the impression is probably indistinct, and, if a second impression is taken, as was done in this coin, it is blurred and the coin is open to suspicion. Further, without the machinery collar, which does the milling at the same time that the reverse and the obverse are struck, the milling must be done separately by hand, and it is necessarily imperfectly done. Of the 16 rupees which I have here, 15 were cast in moulds, and, as the Government of India point out, there is no danger to be apprehended from cast coins, the process being slow and crude. This kind of coining is limited to the small and poor class of professional coiners, and it would be impossible for them to make any appreciable addition to the coinage before they were discovered and apprehended.

12,020. Then the net outcome of all that is that no appreciable increase of counterfeit coin has been discovered?—That is so.

12,021. And there is no reasonable ground for apprehension in the future?—None.

12,022. It has been suggested that one result of closing the Indian Government's mints might possibly be that the depreciated coin of native States would drive out the appreciated rupee from the British zone surrounding the native States. On a previous occasion you gave the Committee figures to show that the coinage of the native States had been on such a restricted scale that this result need hardly be regarded as serious. Have you any more recent information on this point?—We have received from the Government of India figures showing the quantity of silver going into the native mints during the first nine months of the year 1898. These supplement the figures of the quantity passed in to the end of 1897, which will be found among the Financial and Statistical Tables printed for the Committee (*see Appendix*). During these nine months of 1898 the total quantity passed into the native mints was only 2,889,263 tolas. At this rate, if it should continue for the rest of the year, the coinage of the 12 months will be 3,611,578 tolas. A tola is the weight of a rupee. Moreover, very nearly half of this quantity is the re-coinage of old coin, so that the coinage of the native States during the present year has been less than 2,000,000 tolas.

12,023. All the native States?—All the native States. In 1897 it was 8,000,000; in 1896, 12,000,000; in 1895, 11,000,000; in 1894, 8,750,000. The only large quantities were in 1892 and 1893, when 15,000,000 and 20,000,000 were passed into the native mints. There has been a gradual falling off since 1893, and it seems evident that there is no need to suppose that British coin is being, or will be, superseded by the coin of the native States.

12,024. You told us that two States, Kashmir and Bhopal, had ceased coining. Have any others ceased coining since you gave your evidence?—Yes, Gwalior also has ceased to coin. Gwalior is much the largest State of the three. Both Kashmir and Bhopal have withdrawn their own currency altogether and taken British India rupees, and Gwalior is now doing the same thing.

12,025. Was there any compulsion put upon either of those three States?—Absolutely not.

12,026. It was done entirely of their own free will?—Entirely. I happen to know exactly what happened in Kashmir, for I was in Kashmir myself for two months in 1897. Kashmir formerly was practically almost inaccessible to Europeans, but a road was recently constructed which enabled people to go from Rawalpindi to Srinagar with ease in three days. There has since been an increasing crowd of visitors to the State, who come with British Indian rupees. A branch of the Punjab bank was established there which also did its business in British Indian rupees. Soon everybody, even the natives of the country, refused to take Kashmir rupees, and the State Treasury was filled with the local coin presented in payment of taxes. The safes of the bank were also filled with Kashmir coins, which its customers declined to take. The State found itself loaded with a great sum of rupees which were practically bullion, and application was made to the

Government of India for advice and assistance. The Government was ready to prevent the State from falling into serious financial difficulty, and an arrangement was made under which the Government took over all this Kashmir coin at a value materially above its bullion value, British Indian rupees being given in exchange. Of course it had to safeguard itself by requiring that the State should not coin more native rupees. The Maharajah willingly accepted that proviso. He did not forego his right of coinage, he merely waived the exercise of that right for a specified period. The state was anxious to make the arrangement, which gave it complete relief in a difficult juncture.

12,027. (*Mr. Campbell.*) For how long a period did he waive his right to coin?—Fifty years. We feel satisfied that before the end of that term the State will have fully recognised the advantages of a unification of the coinage, as it has already recognised the advantage of the unification of the Post Office and telegraphs.

12,028. (*Sir A. Dent.*) If the native States call for British Indian rupees, do they get any share of the profit?—Of what profit?

12,029. The profit that the Government make on coining?—The Government did not make any profit on this. They made a loss in fact. They took over the native coin when they might have bought bar silver in Bombay much cheaper—they took the native coin at a higher rate, and recoined it into British Indian rupees, and gave the State the equivalent of the native coin in British Indian rupees.

12,030. But with regard to any future transaction, is there any arrangment as to sharing profit?—There is to be no future transaction. After this replenishment of the currency, the native State will get its supplies of British Indian coin in the ordinary course of trade as British districts do. The Government will not coin specially for any state.

12,031. (*Sir C. Crosthwaite.*) Was the Maharajah of Kashmir a minor at the time?—He is a man of mature age, probably not under 40.

12,032. Was his State in any sense under British management at the time?—Not in the least. The Maharajah for a time was under a cloud, and was put aside.

12,033. That is some time ago?—That is some time ago. A Council of Regency was established, but he was reinstated some years ago, and he governs now with a Council consisting of his two brothers and a minister.

12,034. This took place after he had regained his powers?—Yes, three or four or more years after. There is no ground whatever for the suggestion that there was compulsion in the matter.

12,035. (*Chairman.*) What have you to say about the other States?—The Begum of Bhopal, as Sir Charles Crosthwaite knows, is one of the most intelligent rulers in India, and one of our best friends. She found the State suffering from a depreciation of the currency, and came to the conclusion that the best thing was to get rid of the currency on the favourable terms that Government had offered to Kashmir. Like Kashmir she asked for advice and assistance, and readily accepted the offer of the Government.

12,036. Her rupees were at a great discount, were they not?—A very great discount.

12,037. And after she adopted our mintage and took our currency, did she revise her revenue at all?—I do not know. I cannot say what she has done with regard to that.

12,038. What have you to say about Gwalior?—Gwalior is in rather a different position. In Gwalior three different currencies were in circulation, each of them legal tender only in a certain part of the State. In some districts also the British rupee was current and legal tender. The State found it had got into serious difficulties over the system. One currency was insufficient, another was excessive, and the third was so small that nothing satisfactory could be done with it. The Maharajah came to the Government of India for advice, and the Government, instead of suggesting that he should follow the example of Kashmir and Bhopal, advised that he should begin by reforming his currency—making all his different rupees legal tender everywhere indiscriminately. When he had got his local currencies into some sort of definite condition, he might then consider what should be his next step. The Maharajah found himself unable, from local circumstances connected with the assessment of the land revenue, to accept this advice, and, instead of reforming his currency, he decided to get rid of it altogether. The State happens to be wealthy and able to bear the expense. He made no arrangement whatever with the Government of India, but simply, quite of his own motion, withdrew his native currency and substituted British Indian rupees.

12,039. (*Sir A. Dent.*) All this was done last year?—Yes, it is tolerably evident that, having regard to the dimensions of the coinage of native States and to the withdrawal of the coinage of three of those States, there is no fear that native State coinage is intruding on the area in which the British coinage has been circulating hitherto. The reverse is, indeed, the case, as I said when I was under examination before.

12,040. (*Mr. Le Marchant.*) There was no sort of compulsion on Gwalior?—Not the slightest, and no thought of it.

12,041. (*Chairman.*) Have you any reason to think there has been any compulsion put upon any other native rulers, or that they are at all dissatisfied?—Nothing of the kind. We have had nothing to say to them at all. They have made no representation to us, and we have made no representation of any kind to them. They were told in 1893 that the Government would be glad to advise and assist them in any way if they wanted advice or assistance, but they have not asked for advice or assistance. With the exception of these three States, they are going on in their old way.

12,042. Then you do not attach much importance to any allegation that they have been prevented from taking steps in consequence of the action of the Residents?—It is a suggestion that has absolutely no foundation whatever.

12,043. Have you anything to say as to the present condition of Indian trade, especially as to whether there is anything unusual or abnormal?—There was a great deal said last year about the condition of trade being abnormal, but, so far as the trade is going now, I maintain the opinion that I expressed six months or so ago, that there is nothing abnormal in the condition of trade in the present year. We are having a good year on the whole, but, though we have done fairly well in some things, we have not done very well in some other things. On the whole, although there has been some decline in imports and a large increase in exports, I do not feel inclined to anticipate that the increase in exports or decline in imports is abnormal. I would ask the Committee to look at the figures of the period for which we have the accounts, April to November, the first eight months of the year, compared with the preceding six years.

The exports are:—

	Rx. (000's omitted.)
1892-93	71,400
1893-94	68,874
1894-95	75,878
1895-96	73,787
1896-97	70,216
1897-98	65,620
1898-99	77,873

There does not seem to be anything in these figures to justify the apprehension that the export trade is in an abnormal condition.

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The imports are:—

	Rx. (000's omitted.)
1892–93	52,690
1893–94	60,947
1894–95	54,837
1895–96	55,479
1896–97	59,930
1897–98	59,955
1898–99	56,790

The excess of exports over imports in the same years was:—

	Rx. (000's omitted.)
1892–93	18,710
1893–94	7,927
1894–95	21,041
1895–96	18,308
1896–97	10,286
1897–98	5,665
1898–99	21,083

In 1894–95 there was an excess of Rx. 21,041; and in 1898–99 there is an excess of Rx. 21,083. In 1893–94 there was an excess of only Rx. 7,927, Council bills having been suspended for a part of that year, which may be treated as an abnormal year. In 1896–97 and 1897–98 the excess was also small, Rx. 10,286 and Rx. 5,665. Those two were years of famine and plague—abnormal years, in the latter of which Council drawings were reduced, as in 1893. Looking at the years of normal trade, we find that there is no special excess in the present surplus of exports.

12,044. (*Sir A. Dent.*) You give those figures to show that we are perfectly justified in taking them as the usual condition of trade?—Yes, I think that they may be regarded as normal figures such as we may expect in ordinarily good years.

12,045. Other people point out that in the last five years there has been war and famine, and that now we have come to rather an exceptional year, but, notwithstanding that, you maintain that we are justified in taking these as the figures of the normal condition of trade?—I say that the two years, 1896–97 and 1897–98, were exceptional years. We have now reverted to normal conditions since the beginning of 1898.

12,046. You do not consider this an exceptional year at all?—No, I think it is a normal year.

12,047. Then what do you say to the enormous export of wheat that has governed these figures so largely?—There have been very large exports of wheat before, and the exports really have not governed the aggregate figures of the trade in any marked degree. The increase in these 8 months amounted altogether to 13 crores. The increase in the value of the wheat is eight crores out of the 13 crores; so that there are five crores left.

12,048. Then, rice?—It is an ordinary trade that is going on in rice. In regard to both wheat and rice, the two previous years were exceptional years; there was no wheat to export and the higher price of rice restricted trade.

12,049. (*Chairman.*) Do the conditions of trade justify the apprehension that it may prove to be unequal to the maintaining of the rupee at its present rate? For instance, do you expect a diminution of India's exports and an increase of imports, or a fall in prices?—We have come to an end of the abnormal period, and, although there may be an increase in the imports (as I hope), there will be a corresponding increase in exports. We must pay for our imports.

12,050, And we can only pay for them by exports?—Exactly. The test is in the excess of exports over imports, which is the means of paying the Secretary of State's bills. I am not able at present to see anything which would justify the apprehension that that excess is likely to be reduced.

12,051. (*Mr. Campbell.*) Not in the next four months?—Not in the next four nor in the next 12 months.

12,052. (*Chairman.*) At all events this year has only another month to run?—I should not feel inclined to base any wide inference on the trade of one year only, but I am comparing the trade of the present year with the trade of preceding years, and I find that the trade of this year does not differ essentially in its character or its volume from the trade of previous years, or in the relative proportions of imports and exports. So that on the whole I conclude that we can stand the rate of 1*s.* 4*d.*, which has prevailed this year, in future years.

12,053. I suppose the balance this year will be quite sufficient to pay for all the remittances to London?—No doubt.

12,054. Will there be any surplus beyond that?—Well, there ought not to be. If there were any surplus beyond that, it would mean outflow of capital from India.

12,055. (*Mr. Campbell.*) Any surplus would probably be taken in bulllion?—Perhaps so, but not necessarily.

12,056. (*Chairman.*) It has been stated here, on the authority of an official report from the Straits Settlements, that the closure of the mints has changed (to the disadvantage of India) the course of trade between India and the Straits, discouraging exports from India and encouraging exports from the Straits. What are the facts in respect of that allegation?—That statement was made here by a witness in answer to question 11,686.

12,057. Yes. A Straits Settlement Consular report was quoted which said, "the success of the experiment "of closing the mints in India has favoured exports "to that country while diminishing exports therefrom "to places with a silver standard," and the witness says, "I can give several reports showing that the "effects are very great"?—It was a report from the Acting-Governor of the Straits, who stated, as a sort of *obiter dictum*, that rice and opium, which are the two things constituting the bulk of the exports from India to the Straits, had fallen off, and on the other hand that the exports from the Straits to India had increased as the result of the closing of the mints. The statement shows the danger of generalising from the trade of a particular year. The Acting-Governor was writing of the trade of 1897, which was the famine year in India. The bulk of our trade with the Straits consisting of rice, the exports fell off, because the price of rice in India doubled. We had indeed to import rice, and we took a considerable quantity from Singapore, which was used as a depôt for rice produced in the further East. Now take the figures from 1892–3 and let us see how the exports of rice to the Straits come out. The exceptional nature of the year will at once be apparent if we look at the course of the rice trade for some years. The exports have been (in cwt.) as follows (eight months of each year):—

1892–3	1,693,304
1893–4	1,753,042
1894–5	2,856,997
1895–6	3,844,442
1896–7	2,629,882
1897–8	1,241,044
1898–9	3,994,246

The exports during the present year are the highest on record. In 1897 there was a temporary diversion, not merely a diversion, but a reversal of the flow of trade due to temporary causes. Again, the opium exported from India to the Straits in the same period has been as follows:—

Chests.	
8,465	8,849
9,967	8,262
10,704	10,159
8,274	

12,058. What do you say as to the fall in the exports of opium?—In 1895–6 a very low export was coincident with a very low exchange. 1896–7 and 1897–8 were years of famine and plague, and of

monetary stringency; there was in consequence a restriction for the time being in the export of opium, but that has passed away and we are now back again in the flow of the ordinary tide.

12,059. And so far as the year 1898, at all events, is concerned, the rate of exchange of 1*s.* 4*d.* has not discouraged exports from India, and has not encouraged exports from the Straits?—Our exports to the Straits have been, in fact, larger than ever before during this present year.

12,060. Similar statements have been made in respect of China. Can you tell us whether there has been any particular decline of the Indian trade with China?—There has certainly been a decline in Indian trade with China. As I have frequently had occasion to point out in writing my Reviews of Trade, our trade with China has, unfortunately, been a stationary or declining trade for the last quarter of a century or more, but it is noticeable that it is not our exports to China which have fallen off, but the imports from China to India. Now, if the closing of the mints had anything to do with the conditions of trade between China and India, there should have been a restriction of exports from India and an expansion of exports from China to India, which was what the Governor of the Straits thought had happened in the trade with the Straits. It has been just the contrary. If you will allow me I will show you what the imports have been during the last five years from 1893—the year of the closing of the mints—to 1897-8. The figures are:—

Rx.
3,542,556,
2,662,957,
2,805,858,
2,149,089,
1,691,012.

12,061. (*Sir A. Dent.*) What is that chiefly made up of?—We get raw silk chiefly; some copper and tea, the last mainly for re-export.

12,062. (*Chairman.*) That is a steady decrease?—Yes, it is a steady decrease. Then our exports are:—

Rx.
11,129,322,
12,695,448,
13,949,290,
13,818,583,
12,226,990.

12,063. (*Sir A. Dent.*) That is mostly opium?—Opium and cotton yarn. Opium is so predominant a factor in the trade that it must of necessity affect totals materially, and yet, even with that, we do not find any decrease, except in the last year of the series, when the export trade was affected by the fall in the price of opium, to which reference has already been made. In the present year that trade has revived. It may therefore be said that since the closure of the mints there has been no decline at all in our exports to China.

12,064. China always imports more, does she not?—China always imports a great deal more from India than India imports from China.

12,065. How is the balance made up?—By transactions here.

12,066. Do you include treasure in your figures?—These are for merchandise only. I have the figures for treasure here also, and the result, with or without treasure, is practically the same.

12,067. In your original figures, was the treasure included?—I have it here.

12,068. That is silver bullion?—More gold than silver. There has been little silver sent by China to India in recent years.

12,069. Gold bars?—Gold bars and leaf gold.

12,070. You cannot say what proportion of silver and what proportion of gold, can you?—Yes. I have the figures. They are as follows:—

VALUE of the IMPORTS of GOLD and SILVER from CHINA.

	Gold.	Silver.
	Rx.	Rx.
1893–94 - -	969,398	138,029
1894–95 - -	460,537	47,723
1895–96 - -	370,792	17,605
1896–97 - -	451,067	15,639
1897–98 - -	774,540	136,289
Total -	3,026,334	355,285

We are now exporting silver (British dollars) from India to China (Hong Kong).

There is clearly no indication in the trade with China of that decline in our exports to China and increase in the exports from China to India which ought to have taken place if the closure of the mints had been the only factor, or a main factor, in the trade. I should like to observe here that, although our commercial intercourse with China is not increasing, and has not been increasing for the last quarter of a century, what we may have lost in the China trade has been more than replaced by the development of the trade with Japan. Our commercial intercourse with Japan has increased enormously in the last few years, and, looking at the accounts since the year of the closure of the mints, the augmentation of our trade with Japan is three times as large as the decline in our trade with China.

12,071. (*Sir A. Dent.*) That is largely made up of raw cotton?—Yes.

12,072. (*Chairman.*) Have you anything to say as to why what has happened with regard to China is the opposite of what has happened with regard to the Straits?—The inference I draw is that in neither case has the closure of the mints had anything to do with either the course or the volume of trade. The course and the volume and value of trade depend on considerations which are quite separate and apart from any questions of currency. Currency in the long run has no effect whatever on trade between two countries.

12,073. (*Sir A. Dent.*) The starting of many cotton mills in Japan has created the Japan trade entirely?—That is the principal reason for the development. Japan has entered upon the ways of civilisation, progress, and industrial enterprise. China is still practically what China was a hundred years ago. The result is that Japan, which formerly did hardly any business at all with us, now does a large business, and it may be anticipated that a few years hence our trade with Japan, will exceed in volume and value the trade with China. If China were to enter on the same road as Japan, no doubt our trade with that country would expand as our trade with Japan has expanded.

12,074. Do you expect to export as much cotton to China as you have to Japan?—Yes. I do not believe that China is capable of growing cotton in quantity sufficient to feed a considerable number of mills. China has always been an importer of Indian cotton, and, if a large number of mills were established there, I am sure they would have to come to us for cotton.

12,075. That is an open point, is it not? People say that China can produce any amount of cotton in the Yangtse Valley?—We have heard much of the dense population of China. If the statements made are correct, China must be far more densely populated than India, and, outside the area required to produce food for the population, there cannot be room for any large cultivation of cotton or other commercial products. However, apart from that, I have no hesitation in saying generally, that, if China were to enter upon the same road as Japan, we should certainly have a very largely increased trade with China. The more prosperous our neighbours are, the better for our trade.

12,076. (*Chairman.*) In other words, you are not in the least apprehensive that the commercial development

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of China would be any disadvantage to India ?—Quite the contrary. I should like very much to see the commercial development of China.

12,077. I should like to call your attention to some articles that have appeared in the *Statist*, in which it is argued that the importance of the fall in exchange has been exaggerated, in consequence of the official ignorance of the Government of India. Two of these articles are signed by a writer calling himself "Monometallist," and one by Mr T. Lloyd. There are several allegations made. The first is "That only "about a third, or about six millions sterling, of the "Home Charges are chargeable to the general "revenues of the country . . . The other two-"thirds of the Home charges, or about twelve "millions sterling, are assignable to the immense "commercial business in railways, irrigation works, "forests, and telegraphs carried on by the Govern-"ment." In another passage, which I will read to you, the *Statist* criticise the supposed views of the Government of India :—"The argument of the Indian "Government is, that it has to pay in gold in London "every year what are called the Home charges, "amounting, roughly, to about 18 millions sterling, "and that the loss by exchange on these payments "is a serious burden to India. If, the argument goes "on, the Indian mints had been kept open, the rupee "would now be probably under a shilling, whereas, "little more than a quarter of a century ago, it was "worth two shillings. Therefore, twice as many "rupees as were needed a quarter of a century ago "would, in that case, have now to be raised in order "to make the payments in London . . Or, to put "the matter a little differently; if the mints were "now open, the Indian Government contends that it "would have to raise by taxation at least twice as "many rupees to pay the Home charges as it had to "raise when the rupee was at 2*s.*; and, now that the "rupee is at 1*s.* 4*d.*, that it has to raise, by taxation, "15 rupees for every pound sterling payable in "London, whereas, formerly, it had to raise only "10 rupees. Lastly, the Indian Government alleges "that India is too poor to bear the taxation that "would be necessary if the mints had not been closed "or were now to be opened. In answer to this, "'Monometallist' points out that, as a matter of fact, "out of the 18 millions sterling, or thereabouts, "payable in gold in London yearly, only about one-"third—or, say, six millions sterling—is payable out "of the taxes; whereas about 12 millions sterling—"or, say, two-thirds—are payable on account of the "purchase of stores and materials." What have you to say about this criticism of the position of the Government of India?—I should like to begin by saying that the Government of India has never said that India is too poor to bear the additional taxation which would be required if the mints were re-opened. The Government of India has said that it is not right or politic that such taxation should be imposed upon India, and that, if it became necessary to impose taxation, it would be difficult to obtain the amount required, except by new and objectionable forms of taxation. The position of the Government is that such taxation should not be imposed, if it can be avoided, because it is not good policy for a Government to be constantly seeking to increase the burdens of the people, even if they are capable of bearing additional burdens. Another reason for the objection is that taxation for this purpose, that is to say, for the purpose of meeting the decline of exchange, differs essentially from taxation spent in the country for useful purposes; here, the revenue collected is remitted out of the country, and no return is obtained for it. Further, it might be necessary to increase the burden with reference to administrative needs, and, if taxation is levied up to the hilt for exchange, there is no reserve to fall back upon for administrative needs until some considerable time elapses. The process would be that taxation would be imposed for the sake of keeping the mints open to silver, it might become necessary to increase it for the same purpose with a new fall in the price of silver, it might be necessary to increase it for administrative purposes, and the position of the Government would be that of lying in wait to impose new taxation from period to period, as each series of developments and improvements made the people more prosperous, taking from them a portion of their earnings from time to time, when it became evident that they had more earnings. That is an Eastern rather than a Western notion of good government. The Government of India prefer that there should be a stable currency, so that they may be able to regulate taxation with reference to the needs of the country, not with reference to the production and profits of silver mining. A further reason is that such taxation must almost of necessity take new forms, an impolitic thing in itself in India, while the effect in practice would be doubtful. I wish to observe that, in the article to which I am referring, it was stated that "the receipts from general "taxes in India increased from Rx.15,650,000 in "1873–74 to Rx.23,540,000 in 1893–94, the increase "not being due to imposts, but generally to the "increased productiveness of existing taxes." It was shown before this Committee, it was also shown before the Royal Commission on Indian Expenditure, that the statement is untrue, large additional taxation having been imposed.

12,078. Then we come to the statements, "that only "about a third of the Home charges are chargeable "to the ordinary revenues of the country," and that "the other two-thirds of the Home charges, or about "12 millions sterling, are assignable to the immense "commercial business carried on by the Govern-"ment?"—That is not correct. Analysing the figures, as given in the budget of 1898–99, we find that for general administration the charge is 10,586,800*l.* sterling, while for railways and irrigation the charge is 7,949,900*l.* Let us call the figures 10½ millions for general administration and 8 millions for railways and irrigation.

12,079. The £8,000,000 you appropriate to railways, and irrigation, and military stores?—Everything.

12,080. Telegraphs, and so forth?—Yes.

12,081. In fact you might call it the commercial part of the business?—Just so.

12,082. Locomotives and railways?—Yes; stores and interest, and everything connected with what are called commercial services.

12,083. The argument appears to be that the price or cost of this £8,000,000 ought not to come out of revenue, but ought to be provided out of the great industrial enterprises in which the Government are interested?—Yes.

12,084. That is stating their argument fairly, is it not?—Yes.

12,085. Now will you give us your answer to that?—We have to find rupees in India for all the Home charges, however the accounts may be split up or divided, or the nature of the transaction disguised. Now, suppose the mints were opened, and the rupee went down to 1*s.*; at 16*d.* we must find the rupee equivalent of the £8,000,000 for railways in Rx. 12,000,000. At 12*d.* we must find Rx. 16,000,000, an excess of Rx. 4,000,000. The rupee equivalent of the other 10½ millions at 16*d.* and 12*d.* respectively is Rx. 15¾ millions and Rx. 21,000,000, the excess being Rx. 5¼ millions. On both sums it would be an excess of Rx. 9¼ millions. Well, let us assume for a moment that we find the excess 4 crores on railways and irrigation from increased rates, but we must also find 5½ crores on the other side from general taxation. The present revenue from taxation (excluding land revenue) is just under Rx. 30,000,000, so that an addition of 20 per cent. at least must be made to it, for the yield from taxation does not increase in exact proportion to the increased rate, and probably 6½ or 7 millions of Rx. must be assessed in order to obtain 5½ millions; this would be an excessive increase of taxation. The Rx.4,000,000 for railways and irrigation and commercial services would also entail the addition

of more than 16 per cent. to present rates and fares, if equally distributed; but it would not be equally distributed. It suits many of the railways to charge inward traffic comparatively lightly in view to its encouragement and to the reduction of the cost of sending waggons into the interior to fetch down the freight seeking the ports, which is always larger than the inward traffic. They would be averse to raising the rates here, and also to raising the fares for third and fourth class passengers; and, moreover, the earnings from passenger traffic are but little more than one-third of the whole earnings. The bulk of the Rx. 4,000,000 would therefore fall upon the goods traffic, and especially upon the export traffic. Anyhow, it would be on a goods traffic returning about Rx. 16,000,000 that the increased rate would fall, and the increase must be at the rate of 25 per cent. to produce Rx. 4,000,000. Now the consistent cry of all merchants and producers in India is that rates should be lowered; and every Chamber of Commerce joins in the cry. The railways would not object to increased rates, if they thought that the increase would not have the effect of restricting or impeding trade; but they know from experience that a substantial increase has that effect. It should be borne in mind, too, that a large proportion of the railways are worked or owned by companies and native States. At the end of March 1898, out of the 21,245 miles of lines then open, only 5,305 miles were owned and worked by the Government, the rest were owned or worked by companies or native States. In regard to these three-fourths, the Government cannot compel the owners or lessees to raise rates as suggested, and, if the Government could do so, a considerable proportion of the proceeds would go, not to the Government, but to the companies. Trade would be taxed for their benefit, the benefit would be disproportionate (as in the case of general taxation) to the burden imposed, the companies do not want the benefit and would object to the process, and the Government must still, in any case, find the rupees to meet the sterling obligations. All the Indian railways, whether worked by companies, native States, or the Government, are worked on commercial principles, which may be stated broadly thus. Rates are fixed with reference to competing traffic, whether by rail, by river, or by road, and with reference to capacity of development. They are fixed low to attract traffic in goods which are easily handled, are conveyed in bulk, go over long leads, and are likely to increase under the stimulus of low rates. As high rates as can be paid without checking or stopping the trade are charged on other articles. Rates are varied according to the time of year and the openings for trade. Passenger fares are charged on such a scale as will induce the people to use the railway instead of the road. All these decisions have in view the working expenses on the one hand, and the conditions of the country traversed by the line on the other hand. The question of exchange does not, and cannot, enter into the consideration of the rates to be charged. Assuming, however, for a moment that rates and fares might be regulated with reference to exchange, and that it would be possible to vary them as rapidly as exchange varied, without on the one hand incurring what is said to be a loss, and on the other charging unnecessarily high rates, the operation is in its essence the imposition of taxation in disguise. It is also taxation of a very bad class, because unequal in its incidence, imposed on a class, directly striking at a section of trade which it is desirable to keep free from restriction, and because a material proportion of the proceeds would not reach the Government treasury but would go into private pockets. The idea seems to be that, by dividing off the accounts into two sections, a saving can be made. On this point Sir Henry Waterfield writes: "To any "intelligent student of the accounts this division of "the home charges is absurd. The railway charges "consist of guaranteed interest and re-payment to "railway companies of capital previously deposited "by them; and the Secretary of State can in no way "avoid the charge for exchange on these sterling pay- "ments by dividing the accounts into two portions. "The payments to public works and telegraph officers "on furlough or duty in this country, are administra- "tive charges. And even with the stores, a very "large portion is for the army, and must be obtained "from the War Office in order to ensure similarity "of pattern; so that any contention that the saving "in price makes up for the charge for exchange must "be limited to, perhaps, one-tenth of the home charges, "at the outside. . . . The writers seem to be "under the extraordinary hallucination that, by "splitting the accounts into two sections, it would be "possible to turn a loss into a gain, and so avoid the "increase of taxation. They also hold that a reduc- "tion of net receipts or increase of charges through a "fall in exchange is not a 'loss,' if there is still a "surplus derivable from the particular work in con- "nexion with which the increased charges occur."

12,086. Then what about the suggestion that stores bought in England are bought more cheaply than in India; that there is no loss by exchange in respect of stores—in fact that there is a gain? What do you say to that?—That is a very curious idea.

12,087. The argument is that there is no loss through a fall in exchange on the purchase of stores in England, because the price paid by the Government is less than it would be if the stores were bought in India, and paid for in rupees. It is said that stores are purchased in England because they can be bought there cheaper than in India, and that this means a gain for India, rather than a loss, and it is declared that Indian officials confound the material gain with a heavy loss. What is your answer to that?—The writers in the *Statist* think that two-thirds of the home charges (or 12 millions sterling) represent stores (stores really, however, only represent two millions), and the argument is that we buy them here because we buy them more cheaply than in India; therefore we actually gain, not lose; if they were bought in India there would be no question of loss by exchange. This suggestion again, like the other we have just discussed, is one to disguise the nature of the transaction. We do our best to buy as much as we can in India, of good manufactured there. We also buy a considerable quantity of articles in India which are imported, this being done for convenience in respect of certain classes of goods. But in respect of all stores not made in India, whether we buy them here or there, the question of exchange cannot be eliminated. If we buy them in India, we have to pay a sterling price which the seller charges in rupees at the exchange of the day. In this transaction he takes a certain risk for which he charges in the price, and the Government is under certain disadvantages with reference to the quality of the article and other considerations. It prefers, therefore, (except in the case of goods of certain classes) to buy in England and import direct, saving certain charges; but it can by no means evade, whether it buys in India or England, the cost of translating rupees into sterling. The transaction in either case is essentially the same. An article bought in England costs, say, 1,000*l.*; at an exchange of 16*d.*, Government must find Rx. 1,500; if the exchange is 15*d.* we must find Rx. 1,600. If we bought this article in India we should equally have to pay the importer Rx. 1,500 or Rx. 1,600, plus what the importer thought necessary as an insurance for taking the risk of an unstable exchange. The question in the matter of stores is a question of price and exchange. Assuming the price of what we buy to remain unaltered, each fall in exchange requires that Government shall pay more rupees. If there is a rise in price and fall in exchange, the Government must find all the more rupees; if there is a fall in price, the Government is deprived by the fall of exchange of a portion of the gain from a reduced price; and this happens whether the goods are bought in England or in India, but in a greater degree if they are bought in India. That is the only difference between the two. The suggestion is that, if we bought our stores

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in India, this question would not arise at all. That is not so, the question is there exactly the same.

12,088. (*Sir A. Dent.*) But these stores cannot be bought in India?—The greatest part of these stores, at least three-fourths, cannot be bought in India.

12,089. (*Mr. Campbell.*) Or they could only be bought in India from an importer?—There are certain army stores which cannot be bought at all in India. We have to buy them through the War Office. Then there are several articles, such as rails and locomotives, and so on, which are much better bought here. If we bought them in India we should have to pay considerably more. In either case we have to pay the exchange, there is no question about that; and buying them in India we must also pay the importer for his risks and profit.

12,090. (*Chairman.*) Now, the next suggestion is that you, as representing the Indian Government, the officials who gave evidence, and also I myself when I was Secretary of State, have all misunderstood the question, and that the accounts are prepared so as to show a heavy loss by exchange, where there is none. What do you say to that?—The writers have been misleading themselves, and are under a delusion. The statement made is that, "The system of accounts is "such that in respect of the twelve millions there "must always be shown loss of exchange equal to the "difference between the current exchange and the "obsolete exchange of 2*s.*, although there might be a "large profit on the undertakings." It has frequently been explained that the Government do not use the term "loss by exchange." The accounts are rendered in Rx., but part of the Indian revenue and expenditure arises and is incurred in England in sterling. In order to show the actual sums received and paid in sterling, they are entered in the accounts with the sum in Rx., which, added to the sterling figure, gives in Rx. the total sum received or paid. This sum in Rx., which is inserted in the accounts, is entered in a column headed "Exchange." Thus, say that the rate of exchange is 16*d.* per rupee, we should have entries as follows, to show expenditure in India and England—

In India	-	Rx.10,000
In England	-	£10,000
Exchange	-	Rx.5,000
Total	-	Rx.25,000

If exchange fell to 15*d.*, the entry would be—

In India	-	Rx.10,000
In England	-	£10,000
Exchange	-	Rx.6,000
Tota	-	Rx.26,000

In such a case, comparing the two years, it would be reasonable to say that the fall in exchange had imposed upon the Government the necessity of finding an additional number of rupees, to meet the fall in exchange, equal to the difference between Rx.25,000 and Rx.26,000. But it is quite an error to suppose that the item "Exchange" is considered or treated as "Loss by Exchange." As regards the imputation of deception, the fact is that the form of the accounts, showing separately the "Commercial Services," "Civil Services," "Military Services," and so on, was devised by Sir Henry Fowler himself, when he was Secretary of State for India. I have in my hand the Summary of Accounts issued with the Budget Statement, and this Summary follows the form which was adopted at the instance of Sir Henry Fowler.

12,091. The table shows the exact amount of Rx. which has to be raised by taxation in India, and which is spent for the purposes of the Government of India?—Yes.

12,092. It is very fully explained, I think, in the preface to the Return entitled "East India (Income and Expenditure)," and there are illustrations, showing what exchange costs us?—Yes.

12,093. I see that in that Return the "charge for exchange" is explained:—"The term "Rx. is used to denote tens of rupees. In "order to ascertain the number of tens of rupees "required to defray a sterling payment, an amount "termed the 'exchange,' must be added to the "latter, varying according to the average rate of "exchange for the year. For example, a payment of "one thousand pounds when the rate is 15*d.* the "rupee, requires 16,000 rupees; and, adding to the "1,000*l.* the exchange of Rx. 600, the total is "Rx. 1,600, which is shown as the charge in Indian "currency." Is there any possible way of stating that more clearly?—I may say that I gave that illustration without having noticed that it was given there already in print.

12,094. It is not put as loss by exchange, it is put in an appendix to the Return as "summary of charges for exchange"?—And we call it simply "exchange." It is merely a method of showing, as you have just pointed out, that the addition of the two together represents the total Rx. that we have to find. That is the foundation for the allegation that the system of accounts is such "that in respect of the 12 millions "there must always be shown loss of exchange equal "to the difference between the current exchange and "the obsolete exchange of 2*s.*, although there might "be a large profit on the undertakings."

12,095. The next point is that the accounts are so compiled that it is impossible to find from them the financial results of the commercial undertakings of the Government?—There again, this charge could only have been made by a person who had not looked at the accounts. They show the "commercial services," so-called, separately, the receipts and expenditure under them, also the net revenue or expenditure, in abstract and in detail, so that the financial outcome of the working of the whole, or of any particular enterprise, may be seen by an enquirer at a glance. Here again I may be allowed to observe that this classification in the accounts was made at the instance of Sir Henry Fowler. One of the accounts in which the information is given is the Return made every year to the House of Commons of Net Revenue and Expenditure of the Government of India, and on the back of that return is the name of Sir Henry Fowler. It is for sale to the public at the price of 7*d.* In this Parliamentary Paper we find the whole of the commercial services, post office, telegraphs, railways, irrigation, and the total of the net receipts or charges for commercial services, each given separately.

12,096. So that everybody can find out exactly what everything is gaining or losing?—Exactly. Then in the financial statement presented by the financial member of the Viceroy's Council annually, when the Budget is published, there is a statement E., "Statement of net revenue and expenditure—India and England." In this is entered all expenditure and income under each of the different headings. "Debt "service, military service, collection of revenue, com-"mercial services," under this last head being shewn the net expenditure on railways and irrigation and the net receipts from the post office and telegraphs. That table was also devised by Sir Henry Fowler. In the Finance and Revenue Accounts of the Government of India, Tables 1, 2, and 3, contain the railway revenue account, the irrigation account, and the others shown separately. In Table No. 49A of these accounts, the particulars are given for each railway separately with the net loss or gain to Government, including everything. In Table No. 49 there is a detailed account showing the revenue and expenses of each railway, and a column showing the "Percentage of net receipts on capital for each railway." Similar particulars are given in other tables in these accounts for irrigation works; so that any one looking at the returns can see for himself, if he chooses to spend a few minutes over them, exactly the position of each railway and irrigation work in India separately, and of the whole of them collectively.

(Adjourned.)

TWENTY-NINTH DAY.

Thursday, 16th February, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Mr. J. E. O'CONOR, C.I.E., recalled and further examined.

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12,097. (*Mr. Campbell.*) You expressed yourself yesterday as of opinion that, after some abnormal years, the trade of India has returned to its normal condition, so far as can be judged from the trade of the eight months from April to November?—Yes, fairly normal conditions.

12,098. During those eight months the surplus of exports over imports was how much?—I think I mentioned it yesterday; it is 21 crores. I compared the surplus with the surplus in the same period of several previous years.

12,099. Twenty-one crores is larger than it has been for some years back?—Yes.

12,100. How far back have you to go to find so large a surplus as during the past eight months?—The surplus in 1894–95 was almost exactly the same as it is this year.

12,101. The exports this year have been increased by unusually large shipments of wheat and rice?—I would not call them unusually large shipments; the exports of rice are large compared with the two preceding years, and the exports of wheat have been large compared with the last three or four years, but not large, really, as compared with former normal years.

12,102. What was the value of the wheat exported in those eight months?—About $8\frac{3}{4}$ crores.

12,103. How far back have you gone to find the corresponding volume of export of wheat?—There was quite as large a volume, I think, in 1890–91.

12,104. That is the year of the Russian famine?—Yes.

12,105. That, of course, was abnormal?—Yes; still we have only exported in the first eight months 16,000,000 cwt. If we export to the end of the year as much as 20,000,000 or 22,000,000 cwt. it will not be anything particular, for that quantity has been shipped before in ordinary years. Then, as against the export of wheat may reasonably be placed as a set-off a reduction in other things which will, no doubt, all things going well, largely increase next year.

12,106. To what things do you refer?—Jute is one. I understand that the area under jute this year has been restricted by reason of the greater profit of growing rice.

12,107. The crop this year is a small one?—Yes.

12,108. Do you anticipate that it will be larger next year?—Yes, I am informed from Calcutta that that is the expectation.

12,109. Now, what were the exports of rice in the last eight months?—9 crores 40 lakhs.

12,110. How does that compare with eight months in the previous years?—If it is compared with the eight months of the two preceding years, it is enormously larger; but in those years we did not export rice at all. Compared with other previous periods it is not exceptional.

12,111. Then will you go further back?—I can go further back, a great many years. I have not got the figures here, but I know that it is nothing really exceptional. I have the figures from the year 1893–94, not for eight months, but for the 12 months; 10 crores 24 lakhs, 13 crores 69 lakhs, 13 crores 43 lakhs, 11 crores 85 lakhs, 11 crores 58 lakhs—those last two are the two bad years.

12,112. 9 crores 40 lakhs for the eight months is rather above the average?—That is so. We shall have a very good rice year on the whole. I should not call 13 crores 69 lakhs and 13 crores 43 lakhs above the average. These five years do not form an average, because there are two quite abnormal years in them. You would have to go back another five years to get a fair average.

12,113. Between November and March two at least of these months are very heavy export months?—January, February, and March are three months of very good exports.

12,114. So that the four months from November to March are more than half the other eight months?—It may be; I should not be inclined to attach any very great value to an expectation of that kind. In the first place we know that the crop in Burma has not been quite as good as we could have wished; then, in the next place, prices have fallen.

12,115. Would you admit that these large shipments of rice and wheat have had a considerable effect in maintaining the rate of exchange up to the neighbourhood of 1*s.* 4*d.*?—No, I do not feel inclined to think so. If they go on, then we may look to the same factors operating in future years.

12,116. Providing the shipments continue equally large?—Yes. I take it that in regard to rice and wheat we may assume that the present year will be practically a normal one. That is to say, the trade is not likely to be in excess of that of future years, so far as one can prophesy. Assuming that we have good harvests in India during the next few years, as we generally do after a bad famine, we shall continue to have a good export trade.

12,117. Now, as regards the effect of a high or low exchange on trade and prices, I should like to draw your attention to some remarks in the recently-published "Review of the Trade of British India for the five years up to 1897–98," published by the Government of India, and compiled by Mr. J. A. Robertson, Officiating Director-General of Statistics to the Government of India. The first remark to which I wish to draw your attention is on page 2: "A very noticeable feature in the last year's "export trade is the general fall in the values of all "the important staples except grain, of which the

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" price was kept up by the scarcity of food. In some " cases this can be traced to special causes, such as " over-production "?—May I venture to say, to begin with, that that refers to the year ending March 1898. It is a long time ago now.

12,118. Quite so. "But," the writer says, "the " rise in the exchange value of the rupee must " have tended to this result." Then, on page 3, the writer refers to the imports of gold and of silver; and he remarks: "The receipts of both " were extraordinarily large, and this is the more " remarkable in view of the contraction of the " export trade and the impoverishment of the country " by the famine. The purchases were doubtless " largely speculative, *the rise in the exchange and* " *the fall in the price of silver making the trade* " *profitable*"?—In regard to that remark, I may say at once that I understand that, although the country generally was impoverished, there were parts of the country which benefited in an extraordinary degree by reason of the famine. The cultivators in the western part of the North-Western Provinces, who grew good crops in irrigated tracts, sold their products at extraordinarily high prices; and they invested their profits in gold and silver, as is the habit of the people whenever they make sudden profits.

12,119. I suppose there was greater inducement to do that, inasmuch as the rise of exchange reduced the rupee price of gold and silver?—That may be.

12,120. Then, at page 33, the remark is made: " A small trade is done in the exportation of kerosine " oil from Burma to the Straits, *but owing to the* " *unfavourable exchange it was considerably less* " *last year*"?—That is a very small trade. I should not have made any reference to it had I been writing that report.

12,121. It may be a small trade, but a principle can assert itself in a small thing as well as in a large?—No doubt.

12,122. However, you do not agree with that?—No.

12,123. I only want to bring out that some other high officials of the Government do not agree with your views?—No doubt you may say that. In regard to those matters also, as I observed when giving evidence before this Committee last year, exchange may have an effect on particular transactions, and during a limited period; but exchange does not determine trade generally. The course of exchange will determine whether a transaction may be effected at a particular moment or not; but in the long run, over a whole year or more—and I have the great authority of Sir David Barbour in support of that position—it is the condition of trade which determines the course of exchange.

12,124. There is no doubt they act on each other. Then something was said yesterday as to the Budget statement tending to give a wrong idea of the amount of revenue derived from taxation through the inclusion in the statement of the gross figures of receipts and expenditure in certain departments. Take railway receipts and expenditure on pages 72 and 73 of the Budget Statement. There is included on the receipt side Rx. 21,823,000, and on the other side Rx. 23,931,000, showing a net result of about Rx. 2,000,000; but the Budget is thereby swollen to the total revenue of Rx. 99,000,000 on the one side, and Rx. 98,000,000 on the other; which would give any casual or superficial observer the idea that India is taxed to the extent of about 20 millions more than she really is?—No doubt a casual or superficial observer might come to that conclusion.

12,125. There are a good many casual and superficial observers only too ready to come to that conclusion?—We do the same as Her Majesty's Government does with reference to the Post Office and Telegraphs and a large number of services for which the receipts are not in the nature of taxation, but in the nature of payments for services rendered. That cannot be avoided. If you want to make an analysis you have to go from this general statement, which is an abstract statement, to the further detailed statement in which everything is classified. The very next statement gives you the classification on page 74.

12,126. It would take a long time to wade through all that?—Sir Henry Fowler's return makes it perfectly clear. It is not possible to instruct the casual and superficial observer, and neither in India nor in any other country are accounts or statistics constructed for him. There must be sufficient instruction to enable men to go behind the mere figures and apprehend their meaning. In this country Her Majesty's Government inserts receipts and expenditure in the postal and telegraph departments in the accounts because the figures must be brought before Parliament. Our accounts also, by statute, are brought before Parliament, and the same system applies to us. I think all Governments everywhere frame their accounts in the same way.

12,127. Now you referred yesterday to the particulars given in the budget statement of the results of the various undertakings carried on by the Government, such as the Mint and Post Office, and so on. There is one important undertaking of which the Budget statement takes no notice whatever. I mean the Currency Department?—We do not show it in the abstract general statement, but the figures are included, perhaps under the head of minor departments.

12,128. No, it comes under the head of interest?—No doubt you are right. I am not sufficiently intimate with the details to say.

12,129. But you know no reason why that Department should not have a heading to itself as well as the Mint?—The question is one of relative importance. If there is any call for its separate exhibition, I have no doubt the Government would be inclined to enter it separately. It is entered separately, however, in the Finance and Revenue Accounts, which are the final and detailed accounts of the revenue and expenditure of India. The figures in the Budget statement are only in abstract and are ephemeral and preliminary. At page 68 of the Finance and Revenue Accounts you will find an "account showing receipts and charges in the Paper Currency Department for the year."

12,130. But, if the Mint *is entitled* to a separate heading of its own, why should not the Currency Department have one also? The Currency Department gives a bigger revenue to the Government than the Mint does?—I do not know why it should not be done. If you wish it done we can convey that view to the Government of India. It is, as a matter of fact, shown in the accounts. The Budget statement, of course, is more or less an estimate and an abstract.

12,131. You are aware that the Government derives a large revenue from the Currency Department?—I would not call it a large revenue. It does get a revenue.

12,132. The report issued by the Department itself shows what the revenue is?—Yes. The total net profit as entered in the accounts in 1897-98 is 24 lakhs.

12,133. (*Chairman.*) Appendix III. in the Return of Net Income and Expenditure shews the revenue derived from the interest of securities held by the Paper Currency Department, together with the interest on loans by the Government to port trusts and municipal bodies and advances to land-owners, and so on?—When abstracts and preliminary accounts are made, considerations of space arise. At a later period the fuller details are given. Everything is shown in the Finance and Revenue Accounts.

12,134. (*Sir A. Dent.*) Can you give us a table showing the course of exchange during the last ten years between India and the three places, Shanghai, Hong Kong and Singapore?—I am afraid I have not got that here.

12,135. It bears rather on the opium question that we were discussing yesterday. It is easily got from the local papers, of course?—I have got the exchange rates between India and China, that is Hong Kong rates, since the closure of the mints. Before the

closure of the mints the exchange kept practically steady. I think it was 224 rupees for the 100 dollars.

12,136. Hong Kong will do?—I have got that since the mints were closed. The variations, of course, have been enormous. The following are the figures:—

RATE OF EXCHANGE in BOMBAY on HONG KONG
(Rupees per 100 dollars.)

Month.	1893–4	1894–5	1895–6	1896–7	1897–8
April - -	—	185 8/28	194 6/28	188 9/28	162 2/28
May - -	—	195 21/30	197	190 21/30	164 24/25
June - -	—	195 21/30	197 21/30	190 18/28	164 21/42
July - -	197 4/7	197 16/28	199 7/27	189 3/8	157 3/4
August -	198 17/27	195 9/32	199 2/28	186 47/50	143 7/12
September -	197 19/27	194 3/8	198	183 9/52	141 2/28
October -	197 5/36	195 4/21	196 3/32	179 11/18	149 9/26
November -	190 9/11	192 67/100	195 23/52	169 8/21	151 7/40
December -	190 22/28	190 71/88	188 18/28	167 7/16	157
January -	188 19/24	190 35/48	187 3/4	167 12/28	147 7/44
February -	189 20/21	187 37/46	186 4/28	166 27/46	143 5/24
March -	175 1/28	188 11/26	186 6/13	163 80/100	141 1/14

12,137. It shows curious fluctuations?—Yes, very great fluctuations, with a constant tendency to decline to the end of 1897–98, the latest period for which I have figures.

12,138. It is up now?—Because silver is steady.

12,139. (*Mr. Le Marchant.*) You expressed the opinion that trade conditions as favourable as those of the present year, in which the exports of wheat and rice have been large, may be expected to prevail over any ordinary series of years. Can you point to facts shewing that Indian exports are elastic and that deficiency in some is compensated for by increase in others?—That happens very frequently. In fact, so far as wheat and rice are concerned, if we have some decline in either, the aggregate of trade is not appreciably affected; there is always something else to compensate. This year there is jute, with a large decline amounting to well over Rx. 2,000,000. I have no doubt that next year, if wheat should fall lower than this year, there will be a considerable expansion in the export of jute, assuming that there is a good crop. We have such a variety of climates and products in India, that that is what always happens, unless, as occurs once in 20 years or so, we have a real disaster, a general drought over extensive areas of the country.

12,140. Can you infer from the returns of the area under cultivation that the tendency is for crops to increase?—It is rather difficult to base inferences on our agricultural statistics, which are extremely imperfect. If I were to depend only on the figures we have, I should say there was distinctly a tendency for crops to increase; but we keep adding new areas to the statistics, and you have to make allowance for this. But we know that the population of India has increased, and has been fed and clothed; also that the export trade has increased, by reason of our capacity to send more exports out of the country; therefore, there must have been increased production.

12,141. What would you say of improved means of communication? Does the railway system bring produce more directly into channels conducive to exportation?—In a great many cases the construction of a railway has given an export market to a large area of country which had no export market before that railway was constructed.

12,142. Can you trace the effect of that in the comparison of local prices with prices at the ports?—They run fairly enough together now, though in former years there were great differences. But the effect of railways on prices in the interior of the country is, I think, most shown by the uniformity of levels in recent years, compared with the differences of levels that existed in former years. Wherever a railway has been laid, there the prices of the tract served by the railway have always risen to the level of prices not only in surrounding tracts, but in regions which might be regarded as remote.

12,143. Have you any observations to make about the course of prices recently?—When I was here before, I pointed out to the Committee that there had been a material increase of prices in the interior of India, dating from about 1885. Then came the famine period, with a further very large, but temporary and exceptional, increase. I took seven food grains, the principal grains of the country, rice, wheat, jawar, bajra, ragi, gram, and barley, and gave what might be called an index number (700) to the price of these for 1873. I showed that the index number for the period 1891–1895 was 913; the figure for 1886–1890 having been 826. Then came 1896 and 1897 with a very high range of prices. By June last year the number was 1,000. Now, at the end of November 1898, the level has come down to 862. This number is 41 per cent. less than the number in 1897, and 21 per cent. less than the number in 1896; but it is only 5 per cent. below the number of 1891–1895, and it is 4 per cent. higher than it was in the years 1886–1890. I wish to lay some stress upon this point, because these comparisons show the futility of attempting to deduce any conclusion from the course of Indian prices over a brief period. A witness before this Committee compared the prices of 1894 and 1895 with the prices of, I think, 1891 and 1892. He pointed to the relatively lower prices in the two years 1894 and 1895 as proving the assertion that the currency was restricted and inadequate. Though there have been three good crops in India since the famine, yet prices at the end of November last were still ranging at a much higher level than in 1894 and 1895.

12,144. The prices of food grains?—The prices of food grains. Sir Antony MacDonnell the other day made a speech in Cawnpore, in which, referring to the range of prices, he said that prices had fallen to a level as low as any that has prevailed during the last 10 years. He was referring to prices in his own provinces. If prices had fallen uniformly all over India in that way, there would be room for saying that there was one general cause for it, and to argue that the currency was the predominant factor in the fall. But, if you examine the details of the changes of prices, you will find that, while in Northern India, where they have had such very good crops since the famine that they have been able to fill up their stores of reserve grain and yet have a considerable quantity for trade, prices have fallen for the moment; in Central, Southern, and Western India and in Burma there has been a relatively small decline from the famine level. This leads to the inference that the existing range of prices is the result of temporary local conditions, and that the result may be modified next year. We cannot draw any conclusions in regard to Indian prices from one year, or two or three years; but, looking back over a series of years, the course of prices up to November justifies one in saying that there has been since about 1885 a general and substantial, and apparently permanent, rise in the level of prices in India.

12,145. How far can you go back for reliable statistics of prices?—In regard to prices in the interior of the country we go back to 1861—no further back than that. In regard to prices of articles which are staples of export and of import, we can go back to 1843 for some articles, and to later years before 1860 for others.

121,46. Has there been a marked change in prices in the interval, taking averages of 10 years or

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whatever other periods may be convenient?—Yes, export prices for a long period were low. Then there was a rise (because export prices correspond with sterling prices), and 1873, which happened to form the basis of our return—it is the datum level—was a year of what might be called inflated prices.

12,147. For exports?—For exports; so that, if it is argued that there has been no special increase in the export prices since 1873—which is not the case anyhow—the answer is, that year was a year of excessively high prices.

12,148. And comparing it with preceding periods that would be evident from statistics?—Yes, they are all in this book (Prices and Wages in India); in fact, there are no other statistics but what are contained in that book. This book gives, in Table 10, the prices of exports and imports for, in many cases, half a century down to 1898—and those prices (which are actual quoted prices) are given for Calcutta, Bombay, Karachi, Madras and Rangoon. In Table No, 11, I have given the variation on those actual prices, taking the price in March 1873 as the datum level. That is represented as 100, and, if we go far enough back, we find enormous variations and fluctuations, both in imports and in exports, and a general rise—a very large rise as compared with the period antecedent to 1873, and a rise since then.

12,149. You appear to regard export prices as closely corresponding to sterling prices?—Yes, that is for all articles that are mainly produced for export. There are certain articles of which a small quantity is exported relatively to the quantity that is produced and consumed in the country. There, I think, the sterling price has to follow the price of the markets of the country. It is rather difficult to analyse these things, but I should say that articles largely produced for export must be regulated by the sterling price, so far as they are exported to countries under a gold standard.

12,150. Would you apprehend that with a gold standard there would be any change in that respect, that there would be, as it were, an inertness in Indian prices as compared with sterling prices or those in foreign markets?—No, I do not know why prices should be affected at all by a change of standard. Prices depend upon the markets—the supplying market and the consuming market—but Professor Marshall would be much more competent than myself to explain how far, if at all, the standard comes in as a factor in the determination of prices. In my own mind, I do not see why a change of standard should have any real effect on prices, unless the change of standard should affect trade; but I also hold that it does not affect trade and cannot affect trade.

12,151. Have prices shown much mobility of late?—Yes; in fact the fluctuations of prices in India, speaking of export prices, correspond very largely to the fluctuations of prices in other countries.

12,152. With regard to the question of foreign competition, what figures can you give us as bearing on Chinese competition with India?—I was much concerned to find that gentlemen interested in tea were apprehensive of Chinese competition, and I asked a large firm of tea brokers, Messrs. Gow, Wilson, and Stanton, here in London, how the matter stood. They sent me a circular which they issued at the end of the year reviewing the trade in Indian, Ceylon, and Chinese tea for the year. I may remind the Committee that London is the market for nine-tenths of the Indian and Ceylon tea. The imports of China tea are given by the firm as in the last three years 41,169,000 lbs., 39,778,000 lbs., and 33,002,000 lbs.; so that in the year during which the people interested in tea have been lamenting the encouragement to the competition of China tea given by the action of the Government of India, the imports of China tea have materially declined, although exchange ruled during the year at nearly its highest possible level. The deliveries of China tea in this market declined in even greater degree than the imports. During these three years the Ceylon tea imported amounted to 81,870,000 lbs., 92,072,000 lbs., and 93,580,000 lbs.; and Indian tea was 117,932,000 lbs., 131,650,000 lbs., and 135,376,000 lbs. The deliveries have increased in the same way.

This firm write in their circular:—

"The tea-producing industry has been passing through a severe crisis. The worst of the depression appears now to be over, and there are decided indications of a brighter outlook.

"For years past cultivation has been rapidly increasing both in India and Ceylon, necessitating constant reduction in price, which gradually receded, until during 1898 the lowest average prices ever recorded were reached.

"The cost of production in the meantime was greatly augmented; first, by the enhanced price of rice owing to the Indian famine; and, secondly, by the artificial rise in the value of the rupee, so that the margin of profit was thus still further reduced. Home consumption during last winter showed a marked falling off, probably due to the increased use of cocoa as well as to the strike in the engineering trade. Whatever the cause, the result was the consumption of less tea, and consequent accumulation of stock with reduced prices.

"But a marked change has come over the position. Home consumption has again increased and is now greater than ever, some six million pounds more of British grown tea being used during 1898 than in 1897, while the total supply to the United Kingdom appears likely to be little, if at all, above that of last season."

They add:—

"Another feature is now to be taken into consideration. For years past efforts have been made by Indian and Ceylon planters to foster a taste for their teas in new markets, the result being that, whereas in 1890 only 14,000,000 lbs. of British grown tea were used outside the United Kingdom, the quantity had risen in 1897 to 51,000,000 lbs. For the 11 months of 1898 there was an increase of 9,000,000 lbs. over the corresponding period of 1897." That has happened during the period when this Committee has been informed that people interested in Indian and Ceylon tea dread the competition of China not only in the markets of the United Kingdom, but in foreign markets which India and Ceylon desire to enter.

On this question of competition in foreign markets, a member of the firm wrote to me in answer to an inquiry—

"In regard to that point of your letter which speaks of the successful competition by India and Ceylon tea against China tea in countries outside Great Britain, I think what the gentlemen you allude to intended to imply was that they did not think the competition could be carried on at a profit while the rate of exchange remained higher than the intrinsic value of the rupee, as China and Japan would have such an advantage owing to their currency being based on the actual value of their coins.

"At the present time, I think a great deal of the tea which has been forced into these markets outside the United Kingdom has been sold with little, if any, profit to the growers, the increase in production during late years having caused so heavy a drop in the price that it was impossible to get rid of the large quantity of tea grown without some reduction in value, and I think it is this fact which has enabled British grown tea during the last year or so to compete successfully with other growths; but, of course, planters cannot go on growing tea at a loss."

As regards selling tea in foreign markets at little, if any, profit, I believe it is a common feature of trade that the trader who desires to enter a field already occupied by others, has to face a present loss in the hope of future profits. That is what I infer is happening in the tea trade.

12,153. Has the price been falling with the increase of production?—There has been no fall in price;

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there has been a good recovery, although the quantity placed on the market has increased, so that the outlook is good for the producer.

12,154. In what other products does China compete with India?—I know of none.

12,155. As to the competition of the Argentine Republic in oilseeds, has that been a marked feature of recent years?—The Argentine Republic has increased its exports of wheat and of oilseeds, but neither the one nor the other seems to have affected our trade. Our principal oilseeds are subject to the same conditions of cultivation and seasons as wheat. In the same way as wheat has increased during the year, there has, compared with the year before, been an increase in the value of the oilseed trade of 2¾ crores. We are keeping, in fact, at the fairly high level of the time before the bad crops of the last two or three years. We are not afraid of the competition of the Argentine Republic in the oilseed trade. If, however, oilseeds in India were cultivated by European planters we should, no doubt, have heard as much about them as we have heard about tea.

12,156. Are oilseeds cultivated in India by natives exclusively?—Yes; and the natives go on happily producing and selling.

(*For the evidence given on this day by Professor Marshall, see page* 178 *above.*)

Adjourned.

THIRTIETH DAY.

Wednesday, 1st March, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
Sir FRANCIS MOWATT, K.C.B.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. W. H. HOLLAND, M.P.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

THE RIGHT HON. the LORD FARRER, called, and examined.

Rt. Hon. Lord Farrer.

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12,157. (*The Lord Balfour of Burleigh.*) We know, Lord Farrer, of your long experience at the Board of Trade, and your public work generally. What is more germane to this matter is that you were a member of Lord Herschell's Committee which considered the closing of the mints?—I was.

12,158. Are you satisfied by the subsequent experience which we have all had since that time that the conclusions arrived at by that Committee were just and expedient, and that the action taken by the Government was wise?—I am entirely satisfied.

12,159. I understand you have read a good deal of the evidence which has been taken before this Committee?—Yes, most of it, especially the earlier portions.

12,160. Do you see anything in that to shake the opinion which you have just expressed?—No, it entirely confirms me in the opinion I have expressed.

12,161. Would you give us first generally, and then I will take you through it rather in detail, any of the results which the reading of that evidence has left on your mind?—There are certain results which are left in my mind, upon which I am tolerably clear and positive, and there are certain other points upon which I am in doubt. I wish to keep those two sets of opinions separate.

12,162. Then we might commence first—probably that will be agreeable to you—with those results on which you feel able to express a rather more decided opinion?—Very well. The first subject upon which I have a decided opinion is bimetallism. I think that, whatever might have been the merits of bimetallism from an Indian point of view, if it had been possible to make a satisfactory international agreement with a satisfactory ratio, all notion of bimetallism as a solution of the Indian difficulty must, after recent events, be dismissed as impracticable and out of the question. Of course, I refer to the American proposals of last year, and the conclusion to which the Indian Government and the English Government came about them.

12,163. Do you wish to amplify that in any way?—I have nothing further to add on that, unless any member of the Committee wishes to question me. I could, of course, go at length into the subject, but on this as on other points it seems to me that it may be for the convenience of the Committee that I should answer the questions put to me as shortly as possible, subject, of course, to any further questions which may arise out of what I say.

12,164. Would you or would you not contemplate the reopening of the mints to silver under the circumstances in which we are now placed?—That is the second point on which I have a decided opinion. I think it is entirely out of the question.

12,165. Would you give us your reasons for that?—In the first place, because to reopen the mints to silver would be injurious to the trade of India. In the second place, because it would be ruinous to the finances of India, and through the Government and the finances of the Government to the people of India. Lastly, as regards a subject which was perhaps of more importance last year than it is this year—as regards the stringency of money—I believe that reopening the mints would leave the difficulties in that respect quite as great as they are at present, if not greater.

12,166. (*Chairman.*) Would you wish to give any explanation of those three points?—It would be injurious to the trade of India, because, putting aside the exaggerations which have been made by bimetallists in the courses of recent controversies, it is true that a difference of standard between India and

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the countries with which she trades is injurious to the trade of India. It is a sort of break of gauge which prevents business from going on as well and smoothly and easily as it would if she had the same standard as the countries with which she principally trades.

12,167. We know that between 80 and 90 per cent. of her trade is with gold-using countries?—That is so.

12,168. And therefore this difficulty you mention arises there?—Yes.

12,169. Then you say it would be disastrous to the Government, and, of course, if to the Government, it would be disastrous to the people of India?—Yes. Of course everybody knows—I need not enlarge upon that—the great difficulties which the Government of India have experienced in consequence of the fall of exchange, and the necessity of getting a larger number of rupees out of the people of India, wherewith to pay the interest on their gold debt. As regards the stringency of money, I think that capitalists who might be disposed to send money to India at the present rate, if they were sure of its being repaid in gold at that rate, would be deterred from doing so if they thought that it might be repaid in depreciated silver rupees. Capital would be prevented from going to India, and the stringency of money would be increased.

12,170. Do you think it is desirable to continue the present condition for a longer time than necessary?—No; that is my third point; I think it is very desirable that, if we do not at once adopt a gold standard and thus put an end to the present period of uncertainty, we should at any rate contemplate an end of it as soon as possible.

12,171. You would hold, I presume, that the present uncertain state of the currency is abnormal, and should be terminated as speedily as possible?—Quite so. It is a state of things in which you have—I do not know how to express it—an anomalous standard, a rupee with a superior limit, and without an inferior limit, as measured in gold.

12,172. In fact, you have a token currency without any standard?—Without any complete standard.

12,173. Now what do you say is the true solution?—The fourth point on which I have a decided opinion is that the only true solution of the question is the adoption of a gold standard of value and a return to an automatic currency based on gold.

12,174. Will you just explain that a little? First, why do you say a gold standard?—A gold standard of course is a different thing from a gold currency. What I mean is that the standard of value should be in India, as it is in this country, gold; that gold should be the thing which has value to which all currency and all values should be referred. I say an automatic currency based on gold, because the ordinary currency of India as far as I understand it—the bulk of the currency of India—must at any rate for a long while be silver.

12,175. Or copper?—Or copper; but I say that it should be based on gold, that is to say, that the silver or the copper should be token currency having a fixed gold value.

12,176. Then you do not agree with the witnesses and authorities we have had before us, who say that for India silver would be a better standard than gold?—No, I do not.

12,177. Will you just tell the Committee upon what you base that opinion?—I base that opinion on the fact that, as far as I can judge, silver is a metal that is going out of use as a standard throughout the world; that it is a metal of which the future value is extremely uncertain; that, as I have said before, India's trade is chiefly with gold using countries, and that it is very desirable that India should have the same standard of value as those countries; in short, that India should have as its standard of value gold; which is becoming (I cannot shut my eyes to that fact) the standard of value all over the world.

12,178. Now, do you think there is anything in the condition of the English money market to prevent the adoption by India of a gold standard?—That is my fifth point. I can see no reason to think so. Any doubt which I may have had on this point had reference rather, perhaps, to the state of feeling which existed last year than to what I believe exists now. There was an idea in the City that the adoption of a gold standard by India might cause dangerous drafts on the London money market and upon the gold supplies in the world. I do not believe that there any reason to suppose that that would be the case.

12,179. (*Sir F. Mowatt.*) Would you define what you mean by an automatic currency?—I mean a currency which can be increased *ad libitum* by persons bringing a certain quantity of the standard metal to the Government and getting it converted into currency.

12,180. (*Chairman.*) Do you mean that every person is to have the right to take it, or is it to be under the control of the Government?—I mean that every person is to have a right to go to the Government with a certain quantity of gold in his hand and be able to say to them, "You shall give me for that a certain number of rupees."

12,181. But is that the state of things in England?—It is not the state of things in England, because everybody is entitled to have the gold coined into gold sovereigns, which are themselves the currency and legal tender. Now, in India, as far as I can understand the matter, you cannot expect to have a gold currency universally there, at any rate at present, and you must have a power of getting rupees.

12,182. But in England it is essential to the transactions of this country that there should be a large amount of silver currency, which is a token currency, of course, but nobody has a right to go to the Mint with gold and say "give me coined silver"?—That is so; but everybody, as a matter of fact, gets as much silver currency as he wants, provided he will give the gold price for it. That is the practice, as a matter of fact.

12,183. The Chancellor of the Exchequer is Master of the Mint. The Chancellor of the Exchequer means the Government, and, therefore, the Government of the day, as I understand, regulate the amount of silver token currency. The practical working of it is this, that they are influenced by the applications they receive from the Bank of England. The matter is really left in the hands of the Bank of England?—That is so.

12,184. If the Bank of England were to show a disposition to increase to an improper extent the silver currency, the Chancellor of the Exchequer can say "stop"?—Yes, but there is not the least risk of the Bank of England acting in that way, or any other bank, and I believe that in procuring silver currency the Bank acts at the instance of other banks; I believe any bank can go to the Bank of England and say, "We want so much silver, and here is so much gold."

12,185. They have no legal right to it, but that is the practice?—That is the practice.

12,186. In India there is nothing corresponding to the Bank of England?—That is another point, to which I will come by and by. But, as regards the principle on which silver currency is issued in England, there is not the least fear of an excessive issue of silver, especially under present circumstances, when the value of silver has gone down, because neither the Bank of England nor any other bank will go to the Mint to turn a sovereign into 20*s*. unless they really want the 20*s*. for circulation; because the silver, except for circulation, is very much less valuable than the gold they give for it.

12,187. Is there not another question involved in it, namely, that sooner or later we may have to arrive at absolute convertibility of silver into gold?—I think it is a defect in our present system that the silver is not absolutely convertible into gold.

12,188. Does not that involve a limitation of the silver in currency?—I do not think that absolute convertibility would involve any greater limitation than exists at present, because a man would be a fool who would go to the Bank or the Mint to turn gold into silver unless he wanted silver for circulation, because the silver when he got it as silver would not be worth half as much as the gold that he gave for it.

12,189. Then, if I understand you correctly, your limitation is that the metal which is to be brought into the Mint, and in exchange for which they are to receive currency, is not to be the silver of which the currency is composed, but gold?—Certainly; I said gold.

12,190. Your limit is the metal?—Yes; the standard metal, gold.

12,191. (*Sir F. Mowatt.*) You define an automatic currency as a currency which can be automatically expanded on the production of the equivalent in gold by an applicant?—That is it.

12,192. (*Chairman.*) Where the specific ratio is a matter of expediency, do you think there is any objection to fixing a rupee, say, at 1*s.* 4*d.*, or do you prefer a higher or lower ratio?—That is my sixth point. I think 1*s.* 4*d.* is the best rate, simply because that is the present rate, and to make it higher or lower would be to make an unnecessary change.

12,193. What do you say to the objections of Indian exporters, either to a stable ratio or to this particular ratio of 1*s.* 4*d.*?—That is the seventh point on which I wish to express a decided opinion. I think there is nothing whatever in that objection. I think they have no right to make that objection.

12,194. Why?—For two reasons. I think that they make a mistake about their own interests in the matter. They talk about a low ratio. But a low ratio, if fixed and steady, would make no difference to them. What they want is a falling ratio. They have an idea that a falling ratio gives them an advantage. I am inclined to think that in the long run it does not give them an advantage. I am inclined to think that on the whole it is the best for exporters, as for everybody else, to have a stable standard of value with their customers, and that it is not an advantage to them that the money in which they are paying their labourers should tend to vary as against money which they receive for their produce. I think on the whole it is to their advantage that the ratio should be a stable one. When you come to particulars, one of the things they complain of is their competition with silver-using countries. China especially is one that is mentioned. My impression is that, if you were to compare the effect of currency with a stable ratio upon trade with the effect of such an imperfect currency as that of China, (which is after all, I fancy, rather a copper currency than a silver currency), you would find that the Indian exporter has an advantage over the China exporter even in the matter of currency. Then, again, adjustments of prices and wages sooner or later take place. If they take place at once, then the exporter gets no advantage at all. There is one case in which he gets an advantage; that is the case in which the adjustment of his wages and expenses does not take place at once, and in which consequently he is receiving the price of his produce in gold, and has to pay wages in a depreciating currency. There undoubtedly the exporter gets an advantage for the moment; it is an advantage which I do not think lasts, first, because an adjustment must sooner or later take place and the exporter's expenses must rise, and, secondly, because it does harm to the country, and he will feel that in the long run; but for the moment he gets an advantage. He gets that advantage, however, at the cost of the persons to whom he pays wages, or at the cost of somebody else in the country. It is therefore a transfer, it is not a gain, it is not a benefit. It is a transfer of benefit, of advantage, of gain from one person to another—from the Indian native to the English exporter—and I think that is an unjust advantage, and one that he ought not to have.

12,195. That is the case of the tea trade profit?—That is so. The tea trade is a special case in point. Unlike many other Indian investors, the English investor in the Indian tea trade receives the whole of his returns in the form of the gold price of tea in gold countries, whilst he pays all his outgoings in rupees. No wonder that he likes a state of things in which the gold price of the rupee is constantly falling.

12,196. You regard that really as an illegitimate profit and made at the expense of other interests?—Exactly.

12,197. In fact, what one gains somebody else must lose?—Certainly. There is no actual profit by a change in value between the sovereign and the rupee. What one person gains another must lose, and *vice versâ*.

There is one other observation I should like to make before quitting this point. It has been said by many persons, and said, as I think, with great exaggeration, that the benefit which the exporting merchant gets is to lower the price of the article that he sells in the gold country. I doubt if that is the case to any great extent. It may occasionally, in certain states of the market, have some effect of this kind. Where it has that effect it is clear that no one in the exporting country gets any gain; the exporting merchant does not get any advantage, because he is obliged to lower his gold price; the only person who gets an advantage is the consumer in the gold country. I do not say that this happens often; I do not think it does.

12,198. We have had conflicting evidence on that point. Take this concrete instance: a certain amount of tea is sold in the London market for a sovereign. At one time at an unstable ratio that sovereign commands 18 rupees; at another time that sovereign commands only 15 rupees. The wages are unaffected; they have to be paid in rupees; therefore there is a profit as between the 18 rupees and the 15 rupees, which goes into the pocket of the exporter of the tea?—It has been stated, and if I remember rightly, by Mr. Lindsay, among other persons, that under certain circumstances and in certain particular states of the market the profit which the exporter gets may induce or compel him to lower his gold price. I do not think that happens often.

12,199. Have you anything to say with reference to the limitation of the currency which has already taken place by the closing of the mints—as to whether that has any effect on the gold value of the rupee?—That is my eighth point. I am inclined to think that it has. The experience of last year shows that throughout both the slack time of the year and the busy time of the year the rupee has been maintained at 1*s.* 4*d.*

12,200. Do you think there is a contraction of the currency involved in the plan proposed by the Government of India?—That is my ninth point. Yes, as far as I can understand their plan, they propose to actually ladle out, if necessary, a part of the currency, and so contract it violently. I should be indisposed to do that, if we have not reached the point at which the rupee is permanent at 1*s.* 4*d.* I should be disposed to let the natural state of things and the growing demands of business and the ordinary waste of currency raise it to 1*s.* 4*d.*, but I have every hope that the 1*s.* 4*d.* has come to stay.

12,201. What have you to say about the convertibility of the token rupee—assuming that to be adopted—into gold?—That is my tenth point, and a most important point it is. I believe that the only sound ultimate foundation for a gold standard in India is the convertibility of the token rupee currency of India into gold, if not for all purposes, at any rate for the purpose of foreign exchange.

12,202. How do you think that the Indian Government should deal with that question? What do you think is their responsibility?—I think that the Indian Government cannot escape the responsibility of

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guaranteeing convertibility and of maintaining such a degree of credit and accumulating such a reserve as may be necessary in order to enable it to discharge such responsibility.

12,203. What are the dangers which might be reasonably apprehended from convertibility?—That is an eleventh point. The danger is apprehended to be this; I am not now stating my own opinion, but this is what is put forward. It is thought that there may come a time when by reason of war, of famine, or otherwise, India's productive powers may be diminished, and when she will have reduced power of exporting to pay her debt; a time when imports will exceed exports; when the real exchange will be against India; when the value of the rupee in terms of the pound sterling will be lowered, and when there will in consequence be a tendency to export gold. At such a time, it is said that any gold in the Indian currency is likely to be exported; and not only so, but that, when it is known that the Indian Government will give gold for rupees at 1*s.* 4*d.*, there will be a drain on the Indian Treasury by the offer not only of the rupees in circulation but of the vast quantity said to be hoarded. Such a rush for gold, it is said, no treasury could stand.

12,204. That is your statement of the objections?—Yes, as far as I understand them.

12,205. What is your answer to those objections?—I think it must be admitted that, wherever there is a large token currency of whatever description, (and under the proposed circumstances the bulk of the Indian currency would be a token currency), whether silver, as in India, or notes, as in France, or bank money, as in England, there may be cases in which it is difficult or impossible to redeem the token money in gold. Even the Bank of France has had to suspend cash payments; and the restrictions of the Bank Charter Act in England have had to be suspended. Extreme cases may always require drastic remedies or powerful cordials, and India would probably be no exception to the rule. But these exceptional cases are not made the basis of our currency systems. We look to the ordinary state of things. Looked at from this point of view, the case of India seems to be a specially favourable one, for the following reasons. She has a great and elastic power of producing saleable exports; she imports, on the balance, a large quantity of the precious metals, which she retains with great tenacity; and she recovers very quickly from great depression, as is seen from the history of the last few years.

12,206. Will you go to the question of hoarded rupees?—This is a twelfth point, on which, from want of knowledge of India, I speak with more hesitation; but, so far as I can judge, the hoards do not frighten me. I do not see why they should come out and be presented for payment in gold. Perhaps on this point some encouragement may be derived from what has happened during the last year. The value of the rupee has been equivalent, or nearly equivalent, to 1*s.* 4*d.*, the highest point to which under the existing system it can rise, so that persons holding hoarded rupees might, if so disposed, have exchanged them for gold at this high rate. At the same time there was no undertaking on the part of the Government that they would give gold in future for rupees at this rate, and one of the principal features of the case before the Committee has been the future uncertainty of the rupee. Consequently a state of things has existed in which there was every motive for bringing out hoarded rupees and converting them into gold. And yet nothing of the kind has happened. The people have preferred to keep their rupees. Why should it be different in future, especially when the Government has pledged itself to maintain the gold value of the rupee, and when people will know that their rupees will always be worth the 1*s.* 4*d.* in gold? I do not myself, as far as I can judge from the evidence, attach much importance to this danger of the hoarded rupee.

12,207. (*Sir F. Mowatt.*) But do you say that this last year any man taking rupees could claim to get gold for them?—Yes, as long as the rupee was actually at 1*s.* 4*d.*; he could not go to the Government and get it, but he could have bought the gold.

12,208. He could have bought in the market?—Yes.

12,209. (*Chairman.*) Is there any other consideration to be taken into account, in your opinion, as to India keeping her gold?—Yes. The next point on which I wish to express a decided opinion is a very important one. To the above considerations bearing on the ability of India to keep her gold, it should be added that India has an honest and a solvent Government which is not likely to outrun the constable, as has been the case with most, if not all, the nations which have failed to maintain a gold standard. But this consideration leads to a caution. The gold standard cannot be secured without some effort and some sacrifice. Some reserve will be necessary, though I doubt whether it need be a very large one. But, if the actual reserve is not very large, India's credit ought to be proportionately stronger and more secure. For these objects it seems to me to be absolutely necessary that, pending the establishment of the gold standard, the finances of India should be most cautiously administered. India cannot afford at the same moment to establish a gold standard; to indulge in costly wars and increased military expenditure; or to materially reduce taxation. Even Public Works, which may in the end be reproductive, might cause a dangerous strain, and, for the present, borrowing for this purpose of Public Works should, as far as possible, be either avoided or very cautiously conducted. To establish the standard of value, and to maintain the reserves or credit necessary for that purpose, should be the paramount object of the Indian Government.

12,210. Do you mean that the Indian Government should as soon as possible form an actual gold reserve?—That is a point which I will come to afterwards. But they must either form a gold reserve or be in a position of financial strength and credit in which they could at once procure the gold if it was necessary.

12,211. Let me put an analogous case. Suppose in this country we had a large surplus at the end of the financial year, which surplus would, in a normal state of things, be appropriated to the liquidation of debt. If a gold reserve was wanted for some financial experiment, would not the course be not to pay off debt and not to reduce taxation but to treat the two as a reserve for that future drain?—I think that might probably be the best way of doing what is needed.

12,212. And that would be sound policy as applied to India?—Yes, very probably; but at the same time it must be remembered that paying off debt increases the credit of India.

12,213. Of course that can be borrowed again?—Yes.

12,214. Assuming the normal average value of the rupee to be fixed at 1*s.* 4*d.*, and excluding any exceptional circumstances which might affect its value, and seasonal and other fluctuations which might make the sterling value of the rupee greater at one time than at another, how would the steadiness of the rate have to be provided for?—There must be a reserve of gold, or of silver, or of both, sufficient to meet the demands occasioned by these fluctuations, just as reserves are kept in the Bank of England to meet fluctuations in this country.

12,215. If these conditions were observed and the productive powers of India maintained by ordinary sound administration, what do you say as to the excess of exports?—That is my next point, and it is one on which I lay great stress. Having established your currency, on what you believe to be a sound footing, then, I say, leave the exports to take care of themselves. There is no greater fallacy than to suppose that you can improve the exchange or the credit of India by manipulating currency for the purpose of increasing exports.

12,216. Is stringency to be cured by depreciation?—That is my next point. I think not. It is not cured by depreciation in this country. No one would dream, because there was a stringency in the money market, of authorising the Bank of England to issue more notes, and in the same way I do not believe that stringency in the Indian money market is to be permanently relieved by enabling them to add depreciated silver to the currency.

12,217. Just let us apply that to a state of stringency in this country. The property is there, the capital is there, but there is a want of currency. The Bank of England is not allowed to issue bank-notes unless there is either gold bullion to meet those banknotes or the Government debt which is added to that figure. Then in those circumstances the Chancellor of the Exchequer suspends the Bank Charter Act, and then they are allowed to issue notes without gold. Does not that relieve the stringency of the money market?—That is so, in the extreme cases to which I have already referred as special and exceptional cases. But these are not the ordinary case, and everyone would wish those extreme and exceptional cases to be as few as possible. I do not see how, if you have a token currency, you can avoid the possibility of an extreme case, and then you must meet it as best you can.

12.218. Have you anything to say with regard to the present year?—Yes; this Committee was appointed and our attention was first directed to this subject last year, when the question of the stringency was very different from what it is at present. I think it is now only necessary to refer to the facts of the present year. Since last spring, time must have further contracted the currency, relatively to the demands upon it; the volume of trade is much larger than it was; exchange is above 1*s.* 4*d.*; and at the same time the discount rate is 7 per cent. as against 12 per cent. or 13 per cent. in 1898. I am inclined to think that, if the question had arisen in the present year, it is doubtful whether your Committee would have been appointed.

12,219. If the stringency in question were due to a want of currency, and such want was also due to an unwillingness to buy rupees at 1*s.* 4*d.*, in consequence of mistrust concerning the future gold value of the rupee, what is the true way to remove that evil?—To establish confidence in the future gold value of the rupee.

12,220. And that would be sufficient?—That would be sufficient.

12,221. Now, about the ultimate intention of the Government of India with reference to the standard. Assuming that the plan for a gold standard is approved, what do you say about ensuring public confidence?—This is the last point on which I wish to express a decided opinion, and it is a very important one. If the proposed plan for the gold standard is to succeed, public confidence must be assured; and for this purpose it is essential that this Committee, as well as the Indian and the English Governments, should, whatever may be the intermediate steps adopted, allow no doubt whatever to be entertained as to their intention ultimately to establish and maintain the gold value of the rupee at 1*s.* 4*d.*, or at whatever other ratio they may adopt. This, in my opinion, they can only do by making the token rupee convertible into gold. In what manner, by what stages, and under what limitations such convertibility should be effected, are comparatively matters of detail.

12,222. These are the points on which you hold, what we may call, final opinions?—Strong opinions. No opinions on such a subject as currency can be considered as absolutely final; because circumstances may change in some manner which we do not now foresee.

12,223. We should like to have your opinion on some of those points as to which you may not be quite so decided. First take the question whether there should be a gold currency in India, as proposed by the India Government, or only a gold standard, as proposed by Mr. Lindsay and Mr. Raphael?—On this point I wish to be neutral, and to state what appear to me to be the principal considerations on both sides of the question. That the bulk of the Indian currency must be a silver token currency there is no doubt; and, if there is to be a gold currency, it will probably be confined, at any rate for a considerable time, to a marginal currency of comparatively small amount, used chiefly for the purpose of foreign remittances. If such a currency could be established, it would have one great advantage. It would leave the working of the *real* exchange between India and Europe to be governed entirely by business relations, as in the ordinary case of exchange between two countries each of which has a gold currency. The fluctuations of exchange above and below the actual par in each country would be limited by the actual cost of procuring and remitting gold, and within these limits the fluctuations would operate to redress excesses of liability on either side and to adjust the balance of liquidation. The schemes of Mr. Lindsay and Mr. Raphael propose to attain the same object, but in a more artificial and therefore less satisfactory way.

12,224. But we should like to hear your opinion of Mr. Lindsay's scheme?—In some respects I should prefer the schemes for a gold standard proposed by Mr. Lindsay and Mr. Raphael to any schemes for a gold currency. The reasons are so well stated by Mr. Lindsay in his evidence (questions 3580 and following, and 4001) and by Sir W. Hely Hutchison in his evidence that I need not repeat them here. A further consideration, which was perhaps in the state of opinion in the City of more importance last year than it is now, is that Mr. Lindsay's scheme would disturb the English money market less than a scheme for a gold currency—that it would leave the money in London and would probably create less alarm here. It would use no gold except what was necessary for the purpose of the remittances.

12,225. For the balance here?—The balance here. It would also enable the matter to be entirely conducted, if it was thought right, by the Bank of England. In fact, the balance might form part of the Bank reserve. I think I should add to that that it seemed exactly to hit the object that was wanted, namely, to provide for foreign remittances; and that therefore there was a great deal to be said for it on that ground. And, at the same time, you do not want a gold currency in India except for purpose of remittances.

12,226. Now, you have some detailed criticism to make of Mr. Lindsay's scheme?—Yes, but I should like first to add, in favour of Mr. Lindsay's scheme, that, whilst the existence of a gold currency in India would relieve the Government from the necessity of artificially fixing a margin, it would not relieve them from the necessity of interfering if the gold currency should tend to diminish and disappear and of determining the point in the falling value of the rupee which calls for such interference.

12,227. Assuming that Mr. Lindsay's scheme is adopted, what ought in your opinion to be the margin on either side of the par value beyond which the public would have a right to call on the Government for rupees in return for sterling, or for sterling in return for rupees?—Mr. Lindsay gives the figure of 1*s.* $4\frac{1}{16}$*d.*, as what people would have to give in England in order to get the rupee in India, and on the other hand they would have to give a rupee in India in order to get 1*s.* $3\frac{3}{4}$*d.* in England. That is Mr. Lindsay's view. Mr. Raphael seems to think that Mr. Lindsay's margin is rather too large, and that the limit ought to be less. That is a point upon which I have not sufficient practical knowledge to offer an opinion.

12,228. What is the difficulty?—One difficulty that has been suggested is that under Mr. Lindsay's scheme there would be really no remittance of gold either from England to India or from India to England, and consequently no real cost of remitting gold to serve as a gold point. In this state of things, a suggestion has been made that there should be no margin at all, and that the Government should in all

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cases be bound to convert sterling into rupees and rupees into sterling at the actual par of exchange. But this would involve a total abolition of the fluctuations in the real exchange caused by the ordinary operations of trade and remittance, fluctuations which are founded on a real difference of value between a gold coin in England and the same gold coin in India, and which have the wholesome effect of helping to redress the balance of liquidation. Whatever might be the true balance between the two countries, no one would give more than 1*l.* sterling for 15 rupees, if he knew that the Government would cash any quantity of sterling in rupees at that rate: and no one would give more than 15 rupees for 1*l.* sterling if he knew that the Government were bound to give any quantity of sterling for rupees at the same rate. Under such a system the Exchange Banks would cease to do what is not only a profitable business to themselves, but a business important to trade; and the Government would in all probability suffer loss. That there must be a margin is clear; and it is no less clear that there is a difficulty in fixing the margin, as I have stated before. That is an argument against Mr. Lindsay's scheme and in favour of having a gold currency in India; in which case the real exchange would be automatic, as it is between gold countries.

12,229. But that difficulty is inseparable from (to quote Sir John Lubbock's phrase) any exchange standard—the difficulty that there must be a margin?—Yes, if you are to fix it arbitrarily.

12,230. If you are to have an exchange standard, it must be an arbitrary standard?—Yes; only that, if you fix your rupee at 1*s.* 4*d.* and you have a gold currency in India, then the exchange of gold in India for gold in London, the remittance backwards and forward, will settle itself.

12,231. It will depend on the real value of the coin in both cases?—Quite so.

12,232. But Mr. Lindsay's scheme does not depend on that?—No; it is artificial.

12,233. And so is Mr. Raphael's scheme?—Yes.

12,234. And in fact the Government's too?—Yes.

12,235. You say that, if the margin is too small, it will unduly contract the wholesome fluctuations due to the state of the balance between the two countries; if it is too large, it will *pro tanto* unsettle the gold value of the rupee?—Quite so.

12,236. Would you give any opinion as to what it should be?—No; that is for bankers and practical men.

12,237. Now, what do you say about the agency by which this new currency should be managed, assuming such a currency to be adopted?—The answer to this question will depend to some extent on the question whether the gold reserve is to be kept in India, or, as in Mr. Lindsay's and Mr. Raphael's plans, in London. If the latter, it would, it seems to me, be desirable to place the whole management of the gold reserve in the hands of the Bank of England. When once the ratio of the rupee to the £ sterling is determined, the function of maintaining convertibility and of keeping a sufficient reserve for that purpose in the face of whatever fluctuations, seasonal or other, may occur, is essentially a banking function, such as the Bank of England and other banks have to deal with in their ordinary business; and I believe it would be better done by them than by the Government, and would be kept apart from the ordinary financial operations of the Indian Government. At the same time the Government of India cannot under any scheme avoid the responsibility of keeping in India, and, if necessary, of coining, as many silver rupees as are likely at any given moment to be in demand. How this should be effected, whether it can be facilitated by the issue of notes in India, and how the accounts between the Indian Government and the bank should be kept, are points on which I am incompetent to offer an opinion. The Indian Government must of course in some form or other pay and indemnify the bank; and I should like, in Mr. Raphael's emphatic words (6459) to see not only "the Indian Government but the English "Government support the scheme with its entire "credit."

12,238. If the English Government supports the scheme with its credit, then a great many of the difficulties would disappear at once about the gold reserve?—Entirely.

12,239. That would practically solve the question?—That would solve the question, I believe.

12,240. Now, will you proceed with your statement?—Whether Mr. Lindsay's scheme be adopted or not, and whether it is determined to have a gold currency in India or not, I should be glad if it were found possible to commit the management of the scheme to the Bank of England or to some other bank rather than to leave it simply and entirely in the hands of the Government. I believe they would manage it better; it is part of their business; and I do not at all desire to see a system in which the Indian Government put a quantity of gold in their shop window and ask everybody to look and see from day to day how big it is.

12,241. In fact you would prefer bank management to Government management?—I should.

12,242. Have you at all thought over the possibility or wisdom of establishing a bank in India that should do for India what the Bank of England does for this country?—I have not sufficient knowledge of India to go into that.

12,243. You have seen Mr. Alfred de Rothschild's paper?—I have heard of it; I have not read it.

12,244. Do you think that a complete and final scheme with absolute convertibility should be adopted at once, or that more experience should be acquired before that is done?—I regret that the imperfect scheme of 1893 should not have been allowed a somewhat longer trial before throwing it again into the crucible. The circumstances of the last five years have been in many respects exceptional, and the experience of two or three more years, without war, without famine, without pestilence, and without exceptional borrowing, would have been very desirable for the purpose of establishing the fact that the currency of India at the gold value of 1*s.* 4*d.* for the rupee is not normally or permanently redundant; in other words that trade and business have accommodated themselves to that value, subject, of course, to seasonal fluctuations. Even if the rupee were still normally redundant at that value, the contraction arising from the natural waste of currency and the increasing demands of business would no doubt soon bring it up to that rate without any such violent operations as the Indian Government propose. But, if it is thought desirable to adopt a complete scheme at once, I have no doubt that an undertaking to secure the convertibility of the rupee at 1*s.* 4*d.*, especially if backed by the credit of the English as well as the Indian Governments, would now and henceforth maintain the token rupee at that value. The great difference between the immediate adoption of a final plan and a policy of waiting, is not a difference of principle, but of policy and regard for public opinion. If the experience of the present year should be confirmed by the experience of one or two consecutive years, and if the rupee should continue at or near 1*s.* 4*d.* for that time, men will have become accustomed to it, and the operation of guaranteeing its convertibility, which now appears to some people heroic, will not appear heroic at all. Under these circumstances it is a question of practical politics, whether to establish a system of convertibility at once or to wait for the experience of two or three years. But, whichever course be adopted, it is a *sine quâ non*—if the currency of India is to be placed on a sound footing—that the Governments both of India and of England should allow no doubt whatever to exist about their intention to establish and to maintain the gold value of the rupee at the fixed ratio, by undertaking to convert it either now or hereafter at that ratio. When specie payments were

resumed in England, or rather when the bank was compelled to pay its notes, it was done by degrees.

12,245. You mean in 1819?—Yes.

12,246. It was spread over four or five years, I think?—Yes; but the effect of saying that they would do it at the end of three or four or five years was to raise the value at once to par.

12,247. You say that the imperfect scheme of 1893 should have been allowed a longer trial. If Sir David Barbour were here, he would say that an essential part of the scheme of 1893 was the introduction of a gold standard?—Undoubtedly Sir David Barbour always intended that, and I think you will find that Lord Welby and I expressed a strong opinion to that effect.

12,248. I mean, he regarded the introduction of a gold standard as the scheme, and this was the first step in it?—Certainly.

12,249. It was part of the original scheme that there should be a gold standard?—Certainly. I would never have signed the Report of 1893 unless I had believed that it would lead to a gold standard.

12,250. (*Sir F. Mowatt*). You have dwelt on the great importance of guaranteeing the maintenance of the rupee at whatever figure is agreed upon, either now or in course of time, and you have said that that would be greatly facilitated "by the English Government giving it its entire support." Will you define what you mean by the English Government giving it its entire support?—Suppose, for instance, the English Government agreed with the Indian Government to ask the Bank of England (I am only giving this as an illustration) to undertake the business. If the Bank of England did undertake the business and dealt with this as a part of their business, adding to their own reserve for the purpose, and did it at the request of the Indian Government and the English Government, I should say that the Indian and the English Governments would both have agreed to support the Bank of England.

12,251. You mean the English Government should in some way undertake to recoup the bank any loss which the management of the rupee cost?—The repayment of the cost must be a matter of arrangement.

12,252. I should say the loss on the transaction?—It would rather mean this, would it not? Supposing that there occured one of these extreme cases in which there was a great run, and in which something equivalent to the suspension of the Bank Charter Act had to be effected, then the Government would come to the assistance of the Bank of England, just as they would in an extreme case in London.

12,253. Then you are not contemplating that the English Government would simply guarantee a loan, either limited or unlimited, issued by the Indian Government in order to ensure convertibility?—I was not thinking of that particular form. I do not think that would be necessary.

12,254. Would you contemplate a loan, or a reserve established by loan by the Indian Government?—That is really a matter of arrangement for the Indian Government. I should myself prefer to contemplate some such plan as the Chairman suggested, of accumulating surpluses, rather than anything heroic in the way of borrowing; but there might be a time when the reserve became very low, and it was necessary to replenish it, and when that could only be done by borrowing.

12,255. And you think that that borrowing should be by the Indian Government, supported by a guarantee of the English Government?—I should be glad to see that.

12,256. You include that in the "entire support" of the English Government?—Yes.

12,257. Now, you have spoken of the gradual introduction of conversion. Have you considered at all how to ensure a gradual introduction of convertibility?—I think it must be a question of time. In the English case in 1819 they did it by raising the value of the note by steps till it came to par. That would not be necessary now, because, y[redacted] rupee at 1*s.* 4*d.* already, but you might say, go on for so many years, and at the end of so many years we will undertake to convert."

12,258. How would that be affected by, for instance, the rupee now for some reason falling below 1*s.* 4*d.*; how would the Government deal with that? Suppose people came and said, "You are guaranteeing convertibility; we want gold for these rupees"?—My impression is that, if you said you were going to undertake to convert either now or four or five years hence, the rupee would not fall below 1*s.* 4*d.*

12,259. It is on that conviction that you base this argument?—Yes.

12,260. (*Lord Balfour of Burleigh*). In the course of your answers to Sir Henry Fowler you said that persons hoarding rupees, if there are any who have hoarded them, would probably have taken advantage of the high price of recent times of close on 1*s.* 4*d.* to realise their hoards?—Yes, to secure having them in gold.

12,261. Yes, to secure having them in gold. Perhaps a large number of persons, some intelligent and influential people in India, might do so, but would that apply to the great mass of the population who may be supposed to have some hoards of rupees?—No, it would apply to those who thought about it; but I doubt very much whether under any circumstances the mass of the people would bring their rupees to convert them into gold. The rupee is useful to them as a rupee. I do not see why they should come to turn it into gold. The people whom you have to fear are those people who look forward and who think, "Gold will be more valuable at some future "time than this rupee is, therefore I will at this "advantageous juncture turn my rupee into gold." Those are thoughtful and speculative people.

12,262. No doubt; but in theory the possibility of such a contingency as my first question indicated does add to the responsibility of the Government in undertaking what you propose?—To whatever extent that goes, that is so.

12,263. But the risk of that does not affect your opinion?—No, I do not think it does.

12,264. Just at the conclusion of that part of your evidence dealing with the matters on which you had a very confident opinion, you said that the manner of making the token rupee convertible into gold, by what stages and under what limitations such convertibility should be affected, are comparatively matters of detail?—Important matters, but still comparative matters of detail.

12,265. Are they not so important—certainly the limitations under which the convertibility is to be effected—as really to be the gist of the whole scheme?—I do not think so. For instance, it has been suggested that rupees should only be convertible if brought in certain quantities, or that they should only be convertible in the form of notes of a certain amount. That has been suggested as one scheme. I dare say other schemes might be suggested.

12,266. (*Sir F. Mowatt.*) When you say convertible in the form of notes, you mean that rupees notes should be exchanged for gold?—That rupee notes should be exchanged for gold.

12,267. (*Lord Balfour of Burleigh.*) Such a limitation as only receiving rupees in certain quantities might be desirable for large exporters and for large transactions, still, if the time came when there was any premium on gold as compared with 15 rupees to the sovereign, people would very soon amalgamate their hoardings and bring in the required amount?—I think they would if that occurred.

12,268. So that that limitation of only doing it in large quantities would not affect the ultimate liability of the Government?—I do not think it would. But it would offer less ostensible temptation.

12,269. And in fact, if things were to turn adversely to the Indian Government (I only put that hypothetically), that would be no protection for them?—I do not think it would.

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12,270. Have you formed an opinion at all in your own mind, either from reading the evidence or from any knowledge elsewhere, as to what would be the ultimate possibility or the worst of the liability which the Indian Government, more or less by your hypothesis supported by the British Government, would undertake?—It is impossible to say, but I can see no reason to suppose that the rupee, as a rupee, will not continue to be useful and valuable to the people of India as it is at present. I can see no reason for anything in the nature of a *débacle*.

12,271. The rupee will continue to be as useful to the people of India as a shilling or half-a-crown is for us to-day, perhaps even more necessary, but at the same time you might have to face the contingency of the people who now hoard rupees, wishing to turn a large quantity of them into gold. We must admit that a large quantity of rupees must always remain in the country as rupees, but admitting that, have you ever thought of what number of millions of pounds might be demanded in gold from the Indian Government?—No; of course the ultimate limit is the quantity of rupees that there are.

12,272. The quantity of rupees, having made the proper calculation of the number of rupees which people cannot get rid of?—That is, to take the quantity of rupees which there are in hoard, or the quantity of rupees which there are in the banks. Of course you must deduct from the whole quantity of rupees whatever number of rupees are actually needed for circulation.

12,273. You must take the quantity of rupees which there are over and above the necessities of the population?—Then you must allow me to say that, when you once take these away, you would increase the value of the remaining rupees.

12,274. No doubt, but you have not gone into that at all?—No, I have made no estimate of numbers. I doubt the accuracy of any such calculations: I doubt their value, if accurate. If all the rupees in India, or all the rupees except those absolutely required for purposes of circulation, were presented at one moment for payment in gold, the demand would no doubt exceed any possible reserve. The security is that no such demand is likely to be made. I should no more care to get out the result in figures than I should care to get out what the result would be if all persons in this country who have money at banks were to insist at one moment on drawing out all their money in gold.

12,275. (*Mr. Le Marchant.*) You said just now that, if there were a promise on the part of the Government of India, supported by the English Government, to make the rupee convertible into gold at some date, say, three or four years hence, that would prevent the rupee in the interval from falling below gold point?—I am inclined to think so.

12,276. On the other hand, is not the rate of exchange often determined by the balance of immediate payments?—No doubt that is so; but I think that, if people knew that the rupee would, after a certain time, be convertible into gold at 1*s.* 4*d.*, that would have a very great effect in maintaining its value in the face of adverse circumstances.

12,277. How would that operate; would it be by inducing the banking world to send capital to India?—I am inclined to think so. I think they would have a belief in the future of the rupee.

12,278. In fact, that it would be profitable to provide funds and exchange, quite apart from Government action?—Yes.

12,279. Do you consider that the introduction of a gold currency would lead to a greater demand for gold, in order to take the place of rupees?—That is a thing which I am not capable of judging, but, as far as I can gather from the evidence, it seems that the great bulk of the transactions must for a long while be done in rupees, and that it will be a long while before there is a large use of gold in India compared with the other currency. There might be a certain quantity of gold in the banks.

12,280. Of course, during the last year, while the rate of exchange has been about 1*s.* 4*d.*, there has not been, so far as one knows, any offering of rupees for gold to an exceptional extent. But that has been the case while gold is not a currency?—Yes.

12,281. So that any demand under present circumstances would merely be for gold as a commodity?—For gold as an investment.

12,282. Do you think that would be changed, if gold became a circulating medium; do you think that would introduce a new condition?—That is a question for people who are better acquainted with India than I am; so much depends on the habits of the people of India. So far as I can judge from the evidence, they are so accustomed to the rupee that they would be very little likely to use gold in the ordinary circulation even when it became legal tender.

12,283. You were alluding to the rate of 1*s.* 4*d.*, as having now prevailed for about a year. Do you regard the duration of time as important for enabling an inference to be drawn as to the suitability of the rate?—I think the fact that it has lasted a whole year, through slack times and through busy times, is very much in its favour.

12,284. And, if the time were longer so that the inference could be drawn from a more extended period, that would fortify any conclusion?—Certainly.

12,285. It has often been suggested that the existence of a maximum of 1*s.* 4*d.*, without a corresponding minimum, must operate against the reception of gold into the Indian Treasuries?—Yes, because people are not certain that they will be able to get their gold back again at the same rate, if they want it by and by.

12,286. Do you consider that the disadvantage applies more to the particular rate of 1*s.* 4*d.* than to any other rate, or do you view it as a general principle?—As a general principle.

12,287. (*Mr. Holland.*) You say that in your view the re-opening of the mints to silver is out of the question. Would you contemplate ever re-opening them under any circumstances, or do you think that, being closed, they are closed for good?—I think I told the chairman that I should hesitate to say that any opinion I formed was absolutely final, because circumstances may change, circumstances which we cannot foresee and over which we have no control; but, so far as I can see at present, and so far as existing circumstances may be expected to last, I can see no prospect or likelihood of its being desirable to re-open the mints to silver.

12,288. Referring to the guarantee of convertibility by the Government, do you consider it to be the proper function of the Government to undertake responsibility of that kind?—Certainly.

12,289. You say that you consider 1*s.* 4*d.* to be the best rate, and one of the grounds of considering 1*s.* 4*d.* best, is that it is the rate that obtains just now?—Certainly.

12,290. But I believe you were in favour of the rate of 1*s.* 4*d.* at a time when the then existing rate was much lower than 1*s.* 4*d.*?—It was 1*s.* 2¾*d.* or something below 1*s.* 3*d.* at the time, but it had been much above that very shortly before, and the Indian Government had proposed to raise it still higher; of course 1*s.* 4*d.* is arbitrary, but it was thought that that was a fair point to take—that the Indian Government should have power to raise it to 1*s.* 4*d.*, but should not have the power to contract the currency so as to raise it beyond 1*s.* 4*d.*

12,291. You probably agree that, allowing 1*s.* 4*d.* might be easily maintained when harvests are good, the task would become very much more difficult if there were to be unfavourable crops?—Of course, if the balance of trade is unfavourable, the tendency is to lower exchange, but once established there it remains, crops or no crops; it does not depend on the crops; you are not to have a standard varying with the amount of your exports or imports. Your object

is to get a permanent stable standard. What I deprecate above all things is any attempt to manipulate currency for the purpose of promoting exports or of interfering with trade. We want a stable standard of value.

12,292. You say that in your view it is indispensable that a gold reserve should be accumulated. I suppose you would agree that, as a matter of fact, not very much has accumulated so far?—No, I suppose there is no accumulation at present, but we hear that a certain quantity of gold has gone to India.

12,293. Do you think that the reason it is so small, or one reason, at any rate, is that only 15 rupees have been offered for the sovereign; do you think that, if 16 rupees had been offered for the sovereign, there would have been a larger accumulation at this time?—That I cannot say, but I think that the real reason why there has not been more, is that there is not an inferior as well as a superior limit to the gold value of the rupee.

12,294. (*Chairman.*) You are not referring now to the unknown hoards of gold, of course?—No, I am referring to gold available for currency purposes.

12,295. (*Mr. Campbell.*) Mr. Le Marchant asked you some questions as to the rupee falling below 1*s.* 4*d.* if the Government guaranteed convertibility within a certain time, and you expressed the opinion that it would probably not go below 1*s.* 4*d.* if convertibility were guaranteed in that way?—I am inclined to think so.

12,296. But you are aware that the Indian Council must sell its bills every year?—Yes.

12,297. Then, supposing that the balance of trade were such as to prevent the Government selling the Council bills except at a lower rate than 1*s.* 4*d.*, would not that tend to send the exchange below that point?—I suppose that would be so. If the Government could not sell their bills at 1*s.* 4*d.*, that would mean that the exchange had fallen—of course it would.

12,298. Then, would you suggest that the Council should hold for 1*s.* 4*d.*, or meet the market and sell at current rates?—This is a point for practical men rather than for me, but the inclination of my opinion would be to keep the currency question totally separated from the other financial questions of the Government of India.

12,299. That means to sell the council bills at whatever rate they could get?—At whatever rate they could get, but at the same time with the duty of those who managed the currency department to keep exchange at 1*s.* 4*d.*

12,300. How would they do that?—By making the rupee convertible at 1*s.* 4*d.*

12,301. That would mean borrowing to maintain the rate?—It might mean that.

12,302. With regard to the gold standard with a gold currency as well, would you consider it one of the advantages of a gold currency that, during a time of adverse trade balance, that adverse balance could be adjusted automatically by the shipment of gold?—Yes, I consider that a considerable advantage.

12,303. It would be an advantage in favour of a currency as compared with a mere standard?—Yes.

12,304. Then you object to borrowing, if it could be avoided, for the purpose of maintaining the standard?—If it were possible to get the necessary reserves without any heroic borrowing I should be glad to see it done.

12,305. But, if it were not possible otherwise, you would not hesitate to borrow if it were absolutely necessary?—No.

12,306. (*Sir F. Mowatt.*) For the purpose of maintaining exchange?—For the purpose of maintaining exchange.

12,307. (*Mr. Campbell.*) Then, having once given way and begun to borrow for that purpose, where are you to stop?—It is possible that we may be wrong. It is possible that exchange may go down; it is possible in that case that you would have to make some change or adopt some heroic remedy. I do not think it is likely, but it is a possibility.

12,308. It is a very serious possibility?—It is a possibility in this country that the Bank of England, or the banks may not be able to meet the enormous liabilities to which they are subject every day, but it is a possibility which we disregard. We have to act on probabilities, and to adopt the scheme which has most advantages and fewest disadvantages.

12,309. If this possibility that we are speaking of arose from the fact that a wrong ratio had been adopted between gold and the rupee, that is a very serious question in considering what ratio should be adopted?—I do not understand what is meant by a wrong ratio. There is no such thing as an absolutely right or an absolutely wrong ratio. There is an existing ratio which may be either raised or lowered. It is an evil either to raise or lower it. It is quite as great an evil to lower the ratio as to raise the ratio.

12,310. With regard to the Lindsay scheme, and other schemes for raising the ratio to 1*s.* 4*d.*, would you say that, if that ratio is a proper ratio, it should not require artificial support to maintain it?—I am not quite sure that I understand what you mean by artificial support.

12,311. Borrowing?—Any scheme artificial or not, any system of guaranteeing the convertibility of a token currency, may mean borrowing at times. I understand the Bank of England borrow at times.

12,312. They borrow at times to raise the discount rate you mean?—Yes.

12,313. But would you not say that, if a scheme is the correct scheme, it should not need artificial support, it should work automatically and that, if it requires artificial support, that very fact tells against it?—Yes, but I am not quite certain that I see how the Lindsay scheme requires artificial support any more than a gold currency would; because, if there was a gold currency and the gold currency was all departing, it would be necessary for the Indian Government in that case to have recourse to some such procedure as borrowing.

12,314. I mean with the ratio of 1*s.* 4*d.* Mr. Lindsay's scheme contemplates the establishment and maintenance of the ratio at 1*s.* 4*d.*?—If you are afraid of 1*s.* 4*d.* being too high, allow the present state of things to go on for two or three years; allow the currency to contract itself with reference to the demand; and you will make the 1*s.* 4*d.* rate more secure than it is at present.

12,315. You admit that the ratio is an important part of the question?—To fix upon a certain ratio is important, but the still more important thing is when once you have got a ratio not to change it.

12,316. Once you have the correct ratio?—I am not quite certain whether you and I are agreed upon the fact of there being a correct ratio.

12,317. What would you take to be the test?—The test of a correct ratio is that trade and prices have adapted themselves to the ratio that exists, in other words that the currency is equivalent to the demands upon it, neither redundant or scarce.

12,318. The Government adopted, on the recommendation of Lord Herschell's Committee, a ratio of 1*s.* 4*d.*, but for a long time, as you are aware, the actual fact was that the rate of exchange was very much below that?—It was so for special reasons. Lord Herschell's Committee did not recommend a fixed ratio of 1*s.* 4*d.*; they recommended that the Indian Government should not have power to contract the currency so as to raise the ratio above 1*s.* 4*d.*

12,319. Now, if the mints were closed to silver and a ratio named for the reception of gold, do you believe that the need for fresh currency would make that ratio effective sooner or later?—Yes, I think that it would. I am not sure—you know and I do not know—what is happening just now; but I am told that a considerable quantity of gold is going to India at this moment.

12,320. Would you consider that evidence that 1*s.* 4*d.* is a proper ratio?—It is evidence in support of the view that it is a proper ratio.

12,321. Supposing 1*s.* 6*d.* had been fixed upon instead of 1*s.* 4*d.*, would you say that it would only be

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a question of time until the contraction of the currency made 1*s.* 6*d.* equally effective?—Yes, I do; but one must remember that all that period of the contraction of the currency is an evil, and that what you want to do is to get as near as you can to the ratio that now exists.

12,322. The point I want to make is this. Is the fact that 1*s.* 4*d.* has been arrived at after this long period sufficient evidence that it is the proper rate any more than 1*s.* 6*d.* would have been?—The 1*s.* 4*d.* is nearer to what was then in existence and is now the ratio to which things have adapted themselves. There is no divinity in 1*s.* 4*d.*

12,323. Do you remember Mr. Bertram Currie's proposal to leave the ratio unsettled altogether and to allow the exchange to rise indefinitely?—I do. I was never able to understand it.

12,324. You would not approve of that as a proper means of finding the ratio?—Certainly not. The effect would have been that the currency would have contracted indefinitely by waste, by stoppage of supply and increase of demand, and the ratio or rate of exchange would also have increased indefinitely.

12,325. But is not naming an artificial ratio which, whether right or wrong, the contraction of the currency will in time make effective, merely a variation of Mr. Bertram Currie's proposal?—You may so describe it if you please, but it would be a greater change than the change that has been made and an unnecessary change, and one which would in its progress cause great friction and difficulty.

12,326. (*Chairman.*) I suppose an arbitrary Government might fix it at 2*s.*?—Certainly.

12,327. And smash the trade of India almost in doing it?—Yes. I should like to add one word on the expressions "natural ratio" or "correct ratio" and "artificial ratio." When you can manipulate a token currency there is, properly speaking, no such thing as a "natural" or a "correct" ratio as distinguished from an "artificial" ratio. The ratio depends on the value of the currency; in other words, on the proportion of supply of currency to the demand for currency. If you diminish the supply by contracting the currency, you raise the value and the ratio. If you increase the supply, *e.g.*, by issuing forced paper or by allowing a depreciated metal such as silver or copper to be coined *ad libitum*, you diminish the value and the ratio. Either process may be unlimited, and appreciation or depreciation of the rupee may therefore also be unlimited. But, although you may thus alter the ratio indefinitely, there is, when a given ratio has existed for some time, a certain fixed relation between the currency at that ratio and prices of all kinds, which it is extremely undesirable to alter; and which on the other hand it is extremely desirable to stereotype. This it is now proposed to do by making the currency convertible into gold at 1*s.* 4*d.* It will then only vary automatically with gold. You may, of course, contract the currency and make the ratio 1*s.* 6*d.* or more; or you may depreciate the currency and make the ratio 1*s.* 3*d.* or less. But these ratios will be no more "natural" than 1*s.* 4*d.*; and to adopt either of them at this moment would have the bad effect of creating an unnecessary disturbance in all existing business relations.

Let me add that, if you adopt a ratio of 1*s.* 3*d.* instead of 1*s.* 4*d.*, you may for the moment find it easier to maintain the 1*s.* 3*d.* ratio. But, when prices and business arrangements have once adjusted themselves to the 1*s.* 3*d.* ratio, it will be just as difficult to maintain that ratio in the face of adverse circumstances as to maintain the 1*s.* 4*d.* ratio.

The witness withdrew.

Mr. J. M. Macdonald.

MR. JOHN MATHESON MACDONALD called and examined.

12,328. (*Chairman.*) You are a member of the firm of Matheson & Co., of 3, Lombard Street?—Yes.

12,329. All your business life has been spent in London?—Yes.

12,330. But you have been connected during the whole of your business life with the Eastern trade?—More or less.

12,331. You have had special experience, I believe, in the Chinese trade?—Yes; we have always done a large business with China.

12,332. Shanghai, I suppose?—Yes.

12,333. Are you familiar with the cotton mill industry in China?—I have got up the information on the subject as well as I could, and I believe I have got pretty accurate information.

12,334. Is there any serious competition between the Indian cotton industry and the Chinese cotton industry at the present time?—The impression I have gathered is that the Chinese cotton industry can hold its own with Bombay, leaving out entirely the question of the advantage of the silver premium on rupees; that is to say, if Shanghai and Bombay were competing on the same currency, I believed China would hold its own. Of course, with the enormous advantage of the inflated rupee, I do not think Bombay has any chance, except as supplementing the production of the Chinese mills.

12,335. You mean that, irrespective of that advantage which China enjoys, if China did not have that advantage, she would still be able to compete successfully with India?—Yes, I think so.

12,336. When were the foreign factories first started in China?—The strictly foreign factories have only been started in China since the close of the Japanese war in 1895. Prior to that they were not allowed to import machinery or erect mills.

12,337. On what ground do you think China can favourably compete with India?—Labour is extremely cheap.

12,338. And coal is cheap?—Yes.

12,339. Raw material?—The raw material is at hand. It is a little higher in cost than the Bombay material, but the yarn produced from it fetches a higher price.

12,340. And it is nearer the market?—Yes.

12,341. (*Sir F. Mowatt.*) When you say labour is cheap, do you mean as compared with Indian labour?—I think so, so far as I can gather. I have not wished to exaggerate, and therefore I have taken Indian labour at the lowest rate, so far as I could ascertain the figures.

12,342. I only wanted to understand whether you meant cheap as compared with Indian labour?—I think the very cheapest labour in India is about on a parity with the cheap labour in China, but I think in India a larger number of persons at higher rates of wages are employed in the mills.

12,343. (*Chairman.*) Up to what numbers do they make in China now?—Up to 20's. At this time I think they have over 300,000 spindles. At present they find yarn is a more profitable production than cloths, but they do manufacture certain coarse cloths of narrow widths, in imitation of the Chinese native make.

12,344. Where is the yarn woven that they spin?—The yarn is woven by the native weavers.

12,345. By hand?—Yes.

12,346. Are there many power-looms?—For weaving do you mean?

12,347. Yes?—I do not think there are, except in the foreign mills.

12,348. The production in China is the production of yarn, the weaving being by hand-loom chiefly?—Yes, chiefly.

12,349. Have you any idea what is the supply of native cotton?—As an indication of the supply, I notice that an amount of about 3,000,000 of bales passes through the Imperial Maritime Customs.

12,350. Into China?—Not into [redacted]oving in China from one place to anoth[redacted]rse an

enormous quantity is used locally and never comes through the Customs at all.

12,351. That is China-grown cotton?—Entirely.

12,352. Do they import from America?—A little, and they have imported from India, but that is falling off.

12,353. There is an unlimited supply of labour?—Practically unlimited.

12,354. Both men and women?—Yes, women and children are chiefly employed.

12,355. Do the local yarns pay no duty?—Not within the Shanghai Settlement, but if they go outside they are on the same footing as all other yarns.

12,356. There are heavy import duties?—Yes, they are the *Likin* duties, but that applies to all, so that I have not gone into that.

12,357. Is there any competition between India and Japan?—Yes, very much. I think Japan follows China. The order I should say is Shanghai first, then Japan, then India.

12,358. That is to say Japan is more favourably situated than India?—Yes.

12,359. And then China?—China is more favourably situated than Japan.

12,360. But trade is more developed in Japan than in China?—Yes, they started earlier in Japan.

12,361. Now, what other manufacture is there in which Chinese enterprise and Indian enterprise come into competition besides cotton?—Tea and opium.

12,362. Is the production of tea in China diminishing or increasing?—Diminishing; that is to say, the production may not have diminished, but the export to this country has diminished enormously. There is still a considerable export kept up to America and other places. The Americans take mostly green teas and Oolongs, and the Indian teas have not yet captured that market. Then again, a good deal of China tea goes to Russia—the best tea.

12,363. What about opium?—Opium, I am quite satisfied, is doomed as regard India. The revenue has fallen off to half what it was, and the rest will certainly follow.

12,364. The Chinese are growing their own opium?—Yes.

12,365. The consumption, I suppose, is increasing?—Yes, I should think so.

12,366. But that increased consumption is supplied by native-grown opium?—Entirely.

12,367. Then it is practically a question of tea and cotton?—Yes.

12,368. The tea trade to some extent?—Yes.

12,369. What have you to say under the heading of tea?—As regards tea, my opinion is that, while China tea has the advantage of the exchange to the full extent, this is very largely counterbalanced by other factors. First of all, there is the export duty. That amounts on all tea to about 0·6 of a penny, and, as the bulk of the China tea now exported is of extremely low quality, it forms a very heavy percentage.

12,370. (*Sir F. Mowatt.*) The *Likin* duty does not affect cotton?—Yes, it affects cotton, but only locally. The cotton manufacturers in Shanghai are allowed to sell within the Settlement, free of duty. It is when the stuff gets outside the Settlement, that it is subject to duty. Then, the quality of tea has fallen off in China. Once any community acquire a taste for Indian tea, China tea becomes practically unsaleable.

12,371. (*Chairman.*) I suppose they have better machinery and so on in India than in China?—Whether it is due to that, or to better soil in India, I do not know, but Chinese tea is certainly inferior as regards strength and pungency to Indian tea.

12,372. And there is a great decline in the export to England of China tea?—Very great. I remember when the export was something like 160,000,000 lbs., it is now down to 30,000,000 or 40,000,000. Another factor is the local consumption, which, at a price, competes with the foreign demand. The effect as regards Indian tea is certainly to keep prices at a low average, that is, if the price of Indian tea goes up, there will probably be an increased export of China tea. There is a certain demand for cheap teas for mixing with Indian tea.

12,373. There is no local demand to any extent in India, is there?—None, and that of course entails the necessity on all persons who manufacture tea in India to ship it and sell it—to force a sale, in fact, in London.

12,374. I suppose, if there was a material rise of price in tea, that would be met by an increased shipment of cheap tea?—It would, to some extent.

12,375. Do you think there is any early prospect of China tea being grown and manufactured under European supervision?—No, I think not. There have been some trials made; there was a company got up at Hankow, and another at Foochow, but I believe they are both wound up.

12,376. What is the experience with reference to the Indian industry being affected by the restriction of the currency?—I think there can be no question about that. To restrict the currency of any country must affect the industries of that country.

12,377. And do you think there has been a restriction of currency in India?—Yes.

12,378. On what grounds do you base that opinion?—On the ground of the high rate of interest ruling, which was an inevitable consequence of closing the mints.

12,379. That may have been so last year, but it is altogether different now?—But circumstances have been very different this year. There has been an enormous export this year.

12,380. Was not there a famine last year?—Yes, and I think the effects of the famine were exaggerated in some respects by the restriction of the currency.

12,381. Now, what is the standard of value in China?—The standard of value in China is silver by weight.

12,382. Have they any coins?—The currency in China where they have coins is in the hands of the Local Government, but the Chinese Government—the Imperial Government—do not recognise any coins. If you have to pay duties at the port of Shanghai on imports, you are obliged to pay in silver.

12,383. By weight?—Yes, by the tael.

12,384. And of a certain quality?—Yes, I do not know what it is, but they will not accept coins of any kind.

12,385. (*Sir F. Mowatt.*) Not by weight?—They will accept coins as silver. Sir Halliday Macartney, the Secretary of the British Legation in London, informs me that "he considers the currency of China "is the silver Tael. The so-called copper 'cash' has "no uniform standard." Cash are of course largely used in retail payments and wages. The wages are so small that it is absolutely necessary to employ a subsidiary currency.

12,386. (*Chairman.*) The local dollars vary in weight and quality?—They do.

12,387. Mexican dollars are used?—Mexican dollars are used, but they are being supplanted very much now by the British dollars.

12,388. And Japanese yens?—Japanese yens were in use, but they are now being called in, because at the ratio recently fixed by Japan they were worth more in Japan than their intrinsic value as silver.

12,389. Is there any banking in China?—Yes, there is a very elaborate native banking system.

12,390. And well managed?—Extremely well managed some of it, so much so that the Imperial Customs in Shanghai, who will not, as a rule, accept anything except sycee in payment of duties, will occasionally accept an order on a native bank for the delivery of so much silver.

12,391. Is that the nearest approach they have to a paper currency?—No. In some districts, notes issued by the native banks are in general circulation. They also issue letters of credit which are available all over the district and readily encashed.

12,392. Is one of the great drawbacks to Chinese commerce the want of a proper and well-regulated currency?—It is an enormous drawback, especially

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to the lower classes. The question of the local exchange and currency arises in every transaction, and complicates business. The "cash" in which they deal are of various weights, and latterly some of them have been very much reduced in size. Then, all sorts of disputes arise as to the quality of the silver; at every turn such questions arise, and, of course, the money-changer has always an advantage in dealing with ignorant coolies and people of that class. The question of exchanges in the different districts comes in constantly, and must hamper trade.

12,393. How do you measure the range of prices in China?—I do not quite understand that question.

12,394. You say, "The range of prices in China "measured in silver seems to have followed the "indication given in Sauerbeck's Tables: namely, "that from 1873 to 1893 silver continued to be a "fairly steady standard as regards commodities, but "that since then prices of commodities have risen "12 to 15 per cent. measured in silver"?—I am speaking there of average prices. I have a table here which I have taken out of the average prices of commodities given in the Chinese Imperial Customs Returns:—

AVERAGE PRICES of COMMODITIES EXPORTED, in Harkwan Taels per Picul (133⅓ lbs.).

		1872–76.	1877–81.	1882–86.	1887–91.
Black Tea		22·56	17·42	16·20	17·08
Green Tea		26·95	21·80	20·57	18·31
Brick Tea		11·06	7·80	6·07	6·82
Silk Cocoons		88·00	55·88	55·62	59·59
Wool		6·81	6·77	8·33	8·46
Yellow Silk (Hankow)		153·20	176·69	201·81	195·46
Raw Cotton (Shanghai).		9.23	9·52	11·07	10·36
Rice (Shanghai)		1·20	1·35	1·40	1·44
Wheat (Shanghai)		1·16	0·97	1·25	1·25
Brown Sugar (Swatow?)		2·38	2·97	2·63	2·38
White Sugar (Swatow).		4·36	4·85	4·10	3·85
Bengal Cotton (Hong Kong)	highest	11·15	11·16	10·00	11·02
	lowest	6·17	6·17	5·06	6·40

During this period the quotation for bank bills on demand fell from 6*s.* 1*d.* per Shanghai Tael in 1872 to 4*s.* 3½*d.* in 1891, and in 1898 it had fallen to 2*s.* 8¼*d.* Then I have another table which is made upon the index-number system by the Consul at Shanghai, who is very much interested in this question, which confirms what I have already stated. Sir Halliday Macartney in his Memorandum says: "I "understand that the prices of all articles of common "consumption and wages have of late years slightly "risen in and around the Treaty Ports, but this rise "bears no proportion to the depreciation in the "exchange value of silver, and is not greater than "might have been accounted for by the effect of "prosperous trade."

12,395. Does "of late years" mean since the depreciation in the value of silver?—Since 1893. Consul Jamieson estimates that there has been a rise of some 14 or 15 per cent.

12,396. (*Sir A. Dent.*) Do Consul Jamieson's figures apply to Shanghai alone or to China generally? I suppose it is principally Shanghai.

12,397. (*Chairman.*) Let me read you this extract from one of the Consular Reports. "It has been "stated that, while the price of silver in relation to "gold has been going down, its purchasing power in "China has remained constant. This would only be "true if there had been no alteration in the "exchanges between silver and copper coin, and sup-"posing the value of the latter in relation to other "commodities had remained unchanged. As a "matter of fact there has been a steady rise during "the last few years in the silver price of cash. The "year 1896 has witnessed a further considerable rise "throughout China, attributed partly to scarcity and "insufficient minting of the coin, so that the tael, "which formerly exchanged for 1,500 cash, will now "only purchase 1,200 or less. Side by side with this "increase in the silver price of cash, there has also "been a marked tendency for the cash itself to depre-"ciate in regard to commodities in general, so that the "gold-price of Chinese commodities has not fallen to "an extent by any means so great as has been "generally assumed from the decrease in the exchange "value of silver." Do you agree with that?—No, I do not fully agree with it.

12,398. Where do you disagree?—I think the price of cash has not varied so much as is supposed, and that, so far as the price of cash has varied, it has done so more from the contraction of the currency—by scarcity of cash—than from any change in its intrinsic value.

12,399. (*Sir F. Mowatt*). Let me call your attention to one single expression. He says: "The year "1896 has witnessed a further considerable rise "throughout China." It is not merely in the neighbourhood of the ports, but throughout China?—Yes, I agree with that. Since 1893 there has been a rise in prices of commodities measured in silver.

12,400. I thought you said only in the neighbourhood of the ports?—That applied to the table of prices of exports.

12,401. (*Chairman.*) At Shanghai Consul Jamieson gives us a table in which he shows the increase in silver prices, from 1887 to 1897, viz., 49 per cent. so far as regards rice, 82 per cent. in flour, 66 per cent. in eggs, 36 per cent. in pork, 58 per cent. in fish, 70 per cent. in vegetables, 75 per cent. in oil, 43 per cent. in sugar, 55 per cent. in salt, and 50 per cent. in house rent.?—I have not seen that table. Latterly there has been a rise.

12,402. Would that at all show that the cost of production in China is increasing?—Yes, it is now.

12,403. Now we will go from China to India. First of all, what was your opinion about the closing of the mints?—I disapproved very much of the closing of the mints.

12,404. The mints having been closed, what do you say about their now being reopened?—I should prefer their now being reopened.

12,405. At once?—Yes, I think at once.

12,406. You think there would be no disturbance of trade?—There would be a disturbance of trade for a time, but I think a change of that sort very soon rectifies itself, and it is less detrimental to trade than a period of suspense.

12,407. Has there been much suspense for the last 12 months?—There is at present a feeling of suspense.

12,408. The rate of exchange has not varied, has it?—No, but no one has any confidence in it. It has been steady from exceptional circumstances, I consider.

12,409. Suppose the mints were now open, I suppose the rupee would go down to the bullion price of the silver that it contains, would it not?—The value of the rupee would fall to some extent, but I think the price of silver would rise also.

12,410. Are you in favour of a gold standard?—Of course, one has to consider the question of a gold standard from every point of view, and I see very great difficulties in establishing one. I should prefer that a silver standard were retained in India, speaking as a merchant, because I think it would be more conducive to the prosperity of the country.

12,411. I want you to look at it for the moment from the merchant's point of view. India does a large trade with you as a London merchant?—Yes.

12,412. The trade that is done with you is on a gold basis, is it not?—I do not know that I would say so.

12,413. You do not think that it is?—I do not think so.

12,414. Do you mean that the gold price is not taken into account when you buy and sell?—Yes, you have to do that, but exchange is a factor.

12,415. I am coming to that in a moment. I want first to get this fact, the gold price is taken into account in your trading?—It is based on the gold price certainly.

12,416. Then that is subject to fluctuations of value?—Yes.

12,417. That is not a desirable state of things?—It is unavoidable.

12,418. Many things are unavoidable which are not desirable. I want to know whether in your opinion it is desirable for a silver-using country which does a large trade with a gold-using country to have no par of exchange?—It would be better, of course, with a par of exchange.

12,419. What is your reason for thinking silver a better standard than gold?—It has retained its value relatively to commodities up to a recent date much better than gold has. The alteration has been by the appreciation of gold and not by the depreciation of silver.

12,420. Personally you would be in favour of getting back to open mints and for the exchange to depend upon the bullion value of silver?—Yes, and one strong reason for that, I should say, would be this; I do not see how you are ever to have an automatic currency unless on that footing.

12,421. What is the difficulty that presents itself to your mind?—Do you mean with a gold currency?

12,422. The difficulty in the way of an automatic currency?—Well, there is a distinct difference between an automatic currency and what you may call a managed currency. With silver you may have an automatic currency which is undoubtedly the most desirable from every point of view. With a managed currency—of course it can be done, there is a large experience in this world of countries that are worked upon a managed currency—but the difficulties in the way are enormous, and very much greater in the case of an English dependency than in the case of any other country.

12,423. I do not think I quite understand what you mean when you talk about a managed currency?—By a managed currency I mean one in which the Government controls the currency. In an automatic currency the Government does not interfere at all. It is simply the agent to certify to the fineness and the quality and the weight of the coin.

12,424. What do you call the silver currency of this country?—The silver currency of this country is a mere token currency.

12,425. It is a mere token currency, gold being the standard?—Yes.

12,426. What would be the difficulty of applying that to India?—That is to say, having a gold currency in India?

12,427. No; a gold standard with a token currency?—One difficulty would be that it is inevitable that a very large proportion of the currency in India must always be silver. It is very undesirable from many points of view, that the token currency should bear a high percentage to the gold currency.

12,428. Will you apply that to England? A considerable proportion of the currency of this country is silver?—No; I think it is very small. In the United Kingdom the amount of silver per head is estimated at 12*s.* 9*d.*

12,429. The silver currency of this country is 25 per cent. of the gold currency; it is from 22 to 23 millions of silver in circulation among 40 millions of people. Of course, all these calculations per head, like a great many of the averages, are very delusive, because a large number of people use very little silver, they use gold, cheques, and bank notes; but the bulk of the people who do use silver use a great deal more than 12*s.* 9*d* per head?—No doubt.

12,430. In India the transactions of the bulk of the people must remain in silver, which is a token currency?—No doubt.

12,431. You object to its being a token currency, and you say it should follow its bullion value. Is it the fact that a large proportion of the transactions of the bulk of the population of this country are in silver, and that that silver is a token currency, and that the effect upon prices and the general user is in no way affected by the fact that 20 silver shillings are really worth only 10*s.* intrinsically?—I do not think that is so in this country at all, but I consider the token currency in this country is quite different to what the token currency in India would be with a nominally gold standard.

12,432. Because its convertibility is safe?—And it is comparatively small in proportion. And again, in this country so much business is carried on without the intervention of coin at all, whereas in India that is not the state of things.

12,433. We are not talking about the great mercantile houses; we are now dealing with the great mass of the wage-earning classes of England and the great mass of the wage-earning classes of India?—I do not think the coins in the pockets of those people affect the question; it is the standard currency which affects trade.

12,434. Your transactions between London and Calcutta are in gold?—They are.

12,435. Why should not a token currency be as safe and good for use within India as it is for England?—If India had no foreign trade it would be perfectly good there.

12.436. It would?—Yes.

12,437. It is the foreign trade that you have in view?—The foreign trade entirely. The rupee is good enough for the internal trade in India, but it is absolutely worthless for foreign trade, under existing circumstances.

12,438. You regard it as very important to establish confidence?—Yes. With all currency systems confidence is half the battle.

12,439. If confidence were established with the rupee at either 1*s.*, or 1*s.* 2*d.*, or 1*s.* 4*d.*, and continuity and permanence were secured, you would be satisfied with that system?—Yes, but I do not see how confidence is to be established by anything but a thoroughgoing and sound system of currency.

12,440. If the public knew that a sovereign would command 15 rupees and that 15 rupees would command a sovereign, would that establish confidence?—If they had that assurance and could count upon it, yes; but I do not see how they are to get it.

12,441. You would consider that the British Government and the Indian Government might ensure it?—At a very great cost they might.

12,442. What would the cost be? You said just now that the gold would only be used for exchange purposes?—Yes, chiefly for exchange purposes.

12,443. Where is the great cost?—I think that, if the present system were continued, it would be absolutely essential for the Government of India to establish an Indian bank, with the sole object of managing the currency; and that the Indian Government would practically have to hold the gold reserve of the trade of India; and that, in consequence of so large a proportion of the currency being in silver, the gold reserve necessary to be held by the bank to meet the fluctuations would be very large indeed.

12,444. (*Sir F. Mowat.*) Because of the large amount of business done in silver?—No, but because of the fluctuations of the foreign trade, for the settlement of the balance of trade. It would be necessary to hold a gold reserve which was equal to the drain at any one time. As long as the adverse balance was against India, the Government would have to see it through to establish confidence, and, if there was any question about their gold reserve being insufficient, of course confidence would be at once broken.

12,445. (*Chairman.*) Are you aware that the proportion of silver currency in Great Britain to the population and the proportion in India are pretty much the same?—I do not quite follow; do you mean per head?

12,446. I am taking the population as a whole. The population of British India is between six and seven times the population of Great Britain. So far

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as we can ascertain, the rupees in circulation are about six or seven times the silver currency in this country?—I accept what you say.

12,447. I mention that, of course, only with reference to the transactions of the bulk of the people. I think you and I are agreed that, so far as large transactions are concerned, silver has nothing to do with the argument?—So far as regards international transactions.

12,448. That is entirely a question of exchange?—Entirely.

12,449. And the external trade is conducted on a gold basis?—It is not at present, because gold is not available.

12,450. Your remittances are made in gold equivalents?—I should like to illustrate that in this way. The system of the exchange banks, for instance, is this: They buy bills at one rate and sell at another, the difference being their profit. In an ordinary way, with a perfectly steady exchange, they would be content with that. But suppose, for instance, some unexpected event happens, and that a bank finds itself having sold a large number of bills on London that they are obliged to cover, they cannot go into the market and ship gold, as they would do, certainly, if there were a gold currency; but they are obliged to go into the market and offer inducements for the manufacture of bills on London, and the only way in which bills on London can be manufactured is to offer the shipper an inducement to ship produce and draw against it; and the only way in which the bank can induce shippers to manufacture bills is to lower the rate of exchange to a point at which it becomes profitable to them to ship produce and draw bills.

12,451. But do you know that at this moment gold is being sent to India?—I understand there have been some shipments from Australia.

12,452. Large shipments?—A million and a quarter, or something like that.

12,453. Now, suppose the transaction, instead of being between England and India, were between England and France; the only element of variation in the rate of exchange as between England and France, would be whether it was a cheaper thing to remit the gold or to buy bills?—As between England and France?

12,454. Yes. Now, the exchange between India and England is liable to be affected by a third consideration, namely, the value of silver?—It is affected by the balance of trade, which is measured in the exchange. It is not affected by the value of silver at present, because the rupee is artificial.

12,455. It is not at present, but how was it a few years ago?—Now the rupee and silver are entirely different things.

12,456. That is exactly the point I want to get you to. Assuming that there was a fixed par of exchange between England and India, the only difference would be the cost of remission one way or the other—the balance of trade so to speak?—Yes, the balance of trade.

12,457. The exchange is stable at this moment; but, suppose it were rendered unstable, would not another element be introduced?—The element would be introduced that you would have to lower the rate of exchange in order to induce exports.

12,458. Would you not also have the question of the price of silver?—I think not at present.

12,459. Then what makes an unstable exchange?—The rate of exchange is simply regulated by the balance of trade.

12,460. By nothing else?—The exchange is merely an indication of the balance of trade.

12,461. How will you apply that to the remittances by the Government of India to this country? The Government of India, as you know, has to pay in England a large amount of interest on money borrowed in England for the purpose of constructing works in India; that has to be paid in London in gold. Now what effect has that?—That can only be paid by shipments of produce from India in excess of imports into India, with the addition of this debit balance.

12,462. You think that taxation is totally unaffected by it?—If exchange falls, of course the Government would have to pay a larger amount in rupees for the equivalent of that debt.

12,463. And you think the fall or rise of exchange depends solely on the amount of the exports?—Entirely.

12,464. You heard what Lord Farrer said about that this morning; he did not seem to agree entirely in that view?—I should have thought that that was a point on which there was hardly a possibility of difference of opinion.

12,465. (*Sir A. Dent.*) You spoke of 3 million bales of cotton goods having passed through the Imperial Customs of China. To what ports do those bales go. That is not taken from the Customs returns, is it?—My authority for that is a very valuable report compiled by the Blackburn Chamber of Commerce in 1896. I should gather from the way in which it was put that they got the information from the Imperial Customs, either from their published returns or directly.

12,466. As far as we had the returns, there is nothing like that quantity of cotton returned in the Yellow Books as passing through the Imperial Customs. If 3 million bales of cotton goods passed through the Imperial Maritime Customs, the production of cotton in China must be something most gigantic?—Well, I hesitated to give the opinion of the Blackburn Chamber upon that point because they add this statement, that 3 million bales had gone through the Imperial Customs, and that, "that was probably not more than one-tenth of the production of China."*

12,467. Therefore China produces 30 millions?—Yes, according to that. Of course with a population of something like 300 millions, all of whom are practically clothed in cotton garments, one can imagine that the product must of necessity be enormous.

12,468. I asked you the question in order to point this out. It does not pass through the ordinary Maritime Customs returns that we get?—I understood that it did.

12,469. Perhaps you will find that out definitely?—Latterly, since cotton mills were started in Japan, the export of cotton to Japan has increased enormously.

12,470. There is nothing like one million bales, I fancy?—Probably not. Then, of course, a great deal of this cotton is shipped to various ports to natives, for native manufacture.

12,471. If that report is correct, and that is what passes through the Imperial Maritime Customs, it is a most alarming thing for the future of India?—I will try and verify the figures.

12,472. That is about three times the amount of the American cotton crop?—There is a tabulated statement given showing the quantities at the various ports.

12,473. They appear to have made a ludicrous miscalculation. It is really only 300,000 bales?—I thought the figure was startling.

12,474. Now about tea. I think you said that the *Likin* and export duty amounted to 0·6 of a penny?—It is rather more than that; it is 2 taels 5 maes.

12,475. Are you not rather under-estimating that?—It entirely depends on the exchange you take it at. I have taken it at the current exchange.

12,476. Does the table that you have put in apply to Shanghai, or to the Treaty Ports generally, or to China as a whole?—The heading of the table in the China Return is "Average Prices of Commodities exported."

12,477. From what ports?—From various ports, and they give it in the various articles; black tea, green

* *Note added by witness.*—It appears the 3 million bales are the ordinary Chinese bales of 1 picul, or 133 lbs. each, and are thus equal to about 1 million American bales.

tea, brick tea, silk cocoons, wool, and so on, that is all Shanghai. Then, yellow silk, Hankow; raw cotton, Shanghai; rice and wheat, Shanghai; brown sugar is apparently Swatow; white sugar the same; Bengal cotton, Hong Kong.

12,478. The table does give the details?—Yes.

12,479. (*Mr. Le Marchant.*) With regard to the Russian demand for tea, I think you mentioned that Russia took chiefly Chinese tea?—Well, it has been hitherto Chinese tea. All that is taken from China must, of course, be Chinese tea, but latterly there has sprung up a considerable trade in Ceylon tea. They have had facilities for shipping it by the steamers of the Chinese Volunteer Fleet, which go to Odessa, or call that way, so that the trade is gradually gaining ground there.

12,480. And it is not necessarily displaced by the difference of price; that is to say, the relative cheapness of inferior China tea does not necessarily account for the increase?—Of course a great deal of the tea that is sent to Russia is very inferior to Indian tea; it is what is called brick tea.

12,481. Still, there is a preference for high-class teas in Russia?—Those portions of the community who pay the highest price get the highest class tea; it is very expensive.

12,482. Looking at the aggregate import of tea into Russia, there would be a considerable quantity?—Yes, an increased quantity.

12,483. Of tea at a good price?—It depends on what you call a good price. They are accustomed to very much higher prices than we have in this country, but the limit of consumption of high-priced tea is very small even in this country. In Russia they have a very heavy duty upon tea.

12,484. But, in spite of that, they take high-priced tea?—Yes. It is a country where they drink a large quantity of tea. All the people drink it when they have the opportunity.

12,485. (*Mr. Holland.*) You told us that since 1895 there had been eight cotton mills erected in Shanghai. How many spindles would that represent?—317,000 spindles, I think. About three of these mills were established before 1895 by the Chinese.

12,486. Are considerable extensions going on now?—No further mills are being added at the present time.

12,487. I hear that some manufacturers in Lancashire are very much alarmed at the prospect of increased competition from China?—I think that is inevitable.

12,488. You tell us that there are many advantages that the Chinese manufacturers have; amongst them being cheap raw material, vicinity of market, and cheap labour. Have you considered whether the labour, although cheap, is also efficient?—Most efficient. There have been for many years silk filature mills in Shanghai, and the superintendent of one of them stated that the Chinese women had learned in three months to be as efficient as Italian reelers would become in a twelvemonth. I am assured on all hands that the Chinese themselves have a remarkable facility for any work of that kind.

12,489. (*Chairman.*) Better than Indian workers?—That I cannot say.

12,490. (*Mr. Holland.*) You say that you "have "been much impressed by the heavy tax imposed on "the community, and especially the lower classes, "by the absence of a proper and well regulated "Government currency." Do you think the heaviness of that tax discounts to any extent their advantages?—I do not think it applies very much in Shanghai or to the foreign trade, it is more in the country districts.

12,491. You told us you are in favour of the reopening of the mints to silver?—I am.

12,492. Have you anything to say with regard to an international agreement? Would you reopen the mints quite apart from any international agreement?—I look upon an international agreement as almost impossible at present. I certainly would have been in favour of it. I have been a bimetallist for 30 years, and I think a great opportunity was lost when the question first came up.

12,493. (*Mr. Campbell.*) You mentioned that the China mills are not yet in full swing, although they were established in 1895?—They started in 1895; they began operations about the end of 1896; in 1897 they paid fairly; in 1898 the Japanese mills and the Bombay mills apparently had a falling off in the demand, and enormous shipments were made to Shanghai, and for a time the market was completely glutted; but I see that latterly they have again in some cases resumed working day and night, which they had been doing before. I also notice that one of the mills has recently sold its whole production for four months of this year in advance.

12,494. Then the Shanghai mills are in a prosperous condition at present?—I cannot say that. Last year they barely paid their way, but I should think it is only a matter of time. Of course they are not thoroughly organised as yet. Their labour is not perfect; and I dare say they do not understand the management of a mill very thoroughly.

12,495. They chiefly manufacture coarse cotton yarns?—Up to 20's.

12,496. And that class of goods chiefly competes with Indian products?—Yes.

12,497. So that China competes directly with India rather than with Lancashire?—Yes. The Lancashire coarse cotton yarns have been killed off a long time ago by Indian spinnings.

12,498. Is the production of cotton in China increasing?—As regards the production of cotton, when Indian yarn first began to be shipped in large quantities to China, the price of cotton fell, owing to the weavers buying Indian yarn to manufacture their cloth, instead of cotton, and for some time there was a tendency to decrease. Latterly, since the mills were set up in Japan and Shanghai, the tendency has been to increase.

12,499. (*Chairman.*) At any rate we have got this from you that there is an effective competition between China and India?—That is so.

12,500. (*Mr. Campbell.*) Is the production of cotton in China capable of great expansion?—I think so. The valley of the Yangtse is very much like the valley of the Ganges; for 600 or 800 miles up you can grow cotton.

12,501. You say you are of opinion that these Chinese factories will compete on favourable terms with India, apart from the question of exchange altogether?—I think so.

12,502. Do you consider that the fall in the dollar and tael exchange, since the Indian mints were closed, gives the China mills a further advantage in competing with the Indian mills?—Undoubtedly.

12,503. If a shipper of goods to China could formerly get his proceeds remitted at about 300 taels, and can now only get 199, he must get about 30 per cent. more in order to give him the same return?—Yes.

12,504. Have you any record of the prices in China in 1893, as compared with what they are now?—I have found great difficulty in getting the prices latterly; they are only tabulated at intervals. I have them up to 1895 in a Consular Return.

12,505. And there are import duties?—Yes.

12,506. Do you know what they are?—I have not gone carefully into that, because they would apply to all imports equally.

12,507. Yes, but if Bombay produce has to pay an import duty, that gives China a still further advantage, does it not?—No. Chinese manufactures have to pay the same import duty outside the Settlements.

12,508. But Indian goods have to pay an import duty before they get to Shanghai, have they not?—No, they have to pay an import duty when they reach Shanghai.

12,509. Whereas the Shanghai manufacturers pay no excise?—Yes, they do.

12,510. They pay an excise in Shanghai?—Yes.

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12,511. Equal to the import duty?—With the exception of what is used in the Settlement. The moment they leave the Settlement they are treated as foreign shipments.

12,512. But the foreign goods pay that also, and the foreign goods are subjected to an import duty before they leave the Settlement?—The foreign goods are subjected to an import duty whenever they reach China; the others are equally subjected to an import duty the moment they get out of the Settlement.

12,513. (*Chairman.*) Cotton goods made in Shanghai are in just the same position as the cotton goods from Bombay; that is, they have to pay the Customs duty?—That is so. You may put it in this way; that the one pays an export duty and the other an import duty in going out of Shanghai.

12,514. (*Mr. Campbell.*) But they both pay the import duty on going out of Shanghai?—Oh no! If you are right that would be an additional advantage, but I do not understand that that is so.

12,515. Now, you referred to opium, and you said you considered that opium is doomed?—I look upon it as doomed.

12,516. Why?—Because the advantage of the exchange is so great in China. The cultivation in China is extending enormously, and the Chinese Government get an equal revenue from the native-grown opium to what they formerly got.

12,517. You attach considerable importance to the question of the exchange in regard to the extinction of the opium trade?—Yes. I think probably the opium trade might have gradually died out in course of years, without any disadvantage in exchange, but when the mints were closed, of course that settled it.

12,518. You said you considered silver the most suitable currency for India?—Yes. I think it is an absolute necessity to a very large extent.

12,519. You object to a managed currency?—I do.

12,520. But, if gold were to go into the Indian Currency Department by ordinary trade influences without the intervention of Government at all, would you call that a managed currency?—With a debtor country I can hardly imagine gold going into and remaining there to such an extent as to supply the wants of the country for foreign trade.

12,521. Gold does go in to a very large extent?—Yes, at present.

12,522. Suppose gold were to go in under a proper system and with a proper ratio, it would not be in any sense a managed currency?—No, it would not be; that is to say, so far as that special item of it went, it would not.

12,523. Then, as regards the effect of exchange on trade, as to which Lord Farrer expressed certain views, what is your opinion as to the effect of a high or low exchange in checking or promoting a trade balance?—The effect of a high or low exchange is either to stimulate imports or check exports. A low exchange stimulates exports and checks imports; a high exchange checks exports and stimulates imports.

12,524. For example, if the Secretary of State has to draw 17 millions of Council Bills in the year, is it not natural that he would have to accept a lower rate than if he had only to draw 10 millions?—Certainly, other things being equal.

12,525. His drawing 17 millions instead of 10 millions means that India has to send away seven millions more of surplus exports than she would need to do in the other case?—Yes.

12,526. And the lower rate, by its action on rupee prices, is what commands the additional seven millions of exports?—That is so.

The witness withdrew.

Adjourned.

THIRTY-FIRST DAY.

Thursday, March 2nd, 1899.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The LORD BALFOUR OF BURLEIGH.	Sir ALFRED DENT, K.C.M.G.
Sir FRANCIS MOWATT, K.C.B.	Mr. ROBERT CAMPBELL.
Sir CHARLES CROSTHWAITE, K.C.S.I.	Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

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Major LEONARD DARWIN, called and examined.

12,527. (*Chairman.*) You were formerly M.P. for the Lichfield Division of Staffordshire?—Yes.

12,528. Have you been in India?—No, I have not been in India.

12,529. We know that you have made a study of the currency question?—Yes; I have written on bimetallism, and I came to the conclusion that bimetallism would be the best currency system under certain conditions, but I do not think that those conditions are at all likely to be fulfilled for some time to come. Moreover, I do not see any greater difficulty in introducing bimetallism after a gold standard has been adopted than before, and therefore my preference for bimetallism would not lead me in any way to oppose the adoption of a gold standard in India.

12,530. You consider that we can discuss the Indian currency question outside bimetallism altogether?—I think so.

12,531. You have written also a work upon the Indian currency question?—I wrote a short pamphlet, the main object of which was to show that the re-opening of the mint to silver would be the worst possible course that could be adopted. The reasons for that view have been so fully stated that, perhaps, there is no need that I should repeat them.

12,532. We should like to have them from you shortly. First of all you were of opinion that it would be an unwise thing to reopen the mints?—Yes.

12,533. Will you tell us why?—My main reason is that it would at once reintroduce all the

evils of a shifting rate of exchange. I feel sure myself that the relative value of gold and silver will not remain stationary; sometimes you will have a falling exchange; sometimes you will have a rising exchange; you will never get fixity. Although it is possible that the evils of a fluctuating exchange have been exaggerated, yet I think they are very real and ought to be avoided if possible. That is my main reason. A second reason is that each one of the schemes for opening the mints to silver, if discussed in detail, shows its own separate disadvantage. You would have to discuss each separate scheme in detail in order to show the full objections to them.

12,534. No scheme has been proposed which to your mind would be free from vital objection?—That is so.

12,535. Are you in favour of the introduction of a gold standard into India?—Yes; I think that the present monopoly rupee system is decidedly objectionable, and I look upon a gold standard as the only alternative before us practically.

12,536. Do you accompany that opinion with a further opinion as to whether that gold standard should be accompanied or not with a gold currency?—I am coming to that point later.

12,537. Now, have you formed any opinion as to the rate of exchange?—Of course that is the very first point to be settled in dealing with a gold currency. I am in favour of a 1*s.* 4*d.* rate of exchange.

12,538. Why?—It is the rate in the market at the present moment—at least approximately the rate, and to introduce a 1*s.* 4*d.* exchange would cause the minimum of disturbance. In the second place, although I believe it is true that the Government are not definitely pledged to that rate, yet it is, I think, the only rate that has been mentioned in despatches since 1893, and therefore the public have come to regard it as the rate which the Indian Government are prepared, and intend, to adopt. I think it is almost certain that a large number of contracts have been entered into in the belief that that rate will be maintained. Therefore, unless there is some strong argument in favour of another rate, I think that rate ought to be adopted.

12,539. Do you think there would be any effect on trade if a lower rate or a higher rate were adopted?—I do not think there would be any balance of gain or loss to the community at large by adopting another rate of exchange, but I think that different classes would gain. Perhaps I could illustrate it in this way. The rate of exchange is the ratio of the purchasing power of gold to the purchasing power of the rupee. Well, the Government cannot affect the purchasing power of gold. All they can do is to affect the purchasing power of the rupee. If, for instance, they determined to introduce a 1*s.* 2*d.* rate of exchange, they would have to increase the currency and, by increasing the currency, reduce the purchasing power of the rupee. Of course the exchange is the relative price in rupees and gold of the goods which either do or can pass backwards or forwards between the two countries concerned, and, if the Government altered the rate of exchange from 1*s.* 4*d.* to 1*s.* 2*d.*, they would increase the prices in rupees of those goods in that proportion.

12,540. You mean in the foreign trade?—Yes, the goods in the foreign trade. As to the other goods, the increase in the number of rupees would affect their prices also. It does not follow that it would affect them in the same proportion, but their prices would be affected. Therefore, the increase in the number of rupees would cause a general rise in prices. It is a well-known fact that, when prices rise from causes of this sort, wages do not rise equally quickly. Therefore, you would have, from an increase in the currency, a rise of prices not at first accompanied by an equivalent rise in wages. Everybody who has had anything to do with manufacture knows that that is a very happy state of things for the manufacturer; he is certain to have his profits increased. Therefore I look upon it—it is no use blinking the fact—that lowering the rupee would stimulate production. Manufacturers see this, but I do not think they see the cause of it. I think the cause of it would be exactly similar to putting a tax on wages and salaries and fixed payments, and handing the proceeds of that tax directly into the pockets of producers and manufacturers. I believe that would stimulate trade, but, if it was seen that that was the real operation, no one would demand it. And I may add this, that it is not only those concerned in trade who would be affected in that way, but every Government *employé* and every man gaining his wages in any way would be affected.

12,541. If the raising of prices stimulated production would it also stimulate consumption?—I think it is very doubtful whether it would or not.

12,542. An increase in production without an increase in consumption does not benefit trade?—Yes; such a state of things is certain to lead to a reaction. The beneficial and the harmful results are only temporary.

12,543. Take the case of the tea trade. High prices caused over-production?—Yes, I think they did, and then there was a reaction.

12,544. Then your reason for adopting this rate is purely one of expediency?—Purely one of expediency.

12,545. No principle in it whatever?—No; I do not think you can say that there is any natural rate of exchange between the monopoly rupee and gold.

12,546. Unless you adopted the bullion value of silver?—Just so, but take any value between the bullion value of silver and 1*s.* 4*d.*, and I do not think any rate of exchange can claim any special advantage.

12,547. Assuming the rate to be what you suggest, how would you introduce the gold standard?—I think that, if no steps be taken, it is quite certain that a gold standard will be automatically established in time. Therefore, there are two policies between which the choice lies; one is what I may call the policy of drift and letting the gold standard establish itself by the process of time, and the other is the policy of taking active steps to introduce it at once. Those are the two alternatives. But, even if the policy of drift is adopted generally speaking, then some steps should certainly be taken even under that alternative.

12,548. You mean by "drift" going on as we are?—Yes, or very nearly so.

12,549. That is with the present closing of the mints to silver?—Yes.

12,550. And going as we have been going on for the last four or five years?—Yes, but I should like to make some alteration even if broadly that policy were adopted. If you look merely to the results of the different possible policies, then I have no hesitation in saying that more active steps should be taken at once; but then this is very largely a political question. If any scheme too new, novel, or bold were proposed, the whole plan might be wrecked. Now, I feel that this Committee is in a better position, if I may say so, than any other body to judge of the opposition which will be aroused by any scheme. But perhaps I may make this one remark. I think it is very probable that the Government will whittle down any proposal made by this Committee, and it is possible that the House of Commons may whittle down any proposal made by the Government. Therefore, it seems to me right to say both what is the best system that can be adopted, and also the concessions that might be made to meet the apprehensions of the public.

12,551. Will you state what you think would be the best system?—I would like to answer that question under two headings. First, the changes that I should make if what I call the policy of drift were adopted. The first thing to consider is the ebb and flow of the currency which is necessary to establish an even rate of exchange. You must have a proportion of the currency ebbing and flowing in order to maintain an even rate of exchange. If the gold flows out to India, as it is doing, I understand, at the present

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moment, and if that gold passes into the currency of India, that undoubtedly will make a fluid margin which will be capable of oscillating backwards and forwards, and creating a stable rate of exchange. But, supposing that gold going out to India is used for the purchase of rupees, I take it that the gold will then pass into the Government reserves. I do not see what is to bring back that gold to England if there is an adverse international balance. If you trust to the policy of drift, then you are establishing a system by which you perpetually keep filling up the currency to the full that it is capable of holding, but you are supplying no means for certainly bringing down that currency to its old volume. In order that that result should be obtained you must make the reserve completely fluid. That is the essential thing.

12,552. The reserve of gold?—You must keep the reserve of gold, which is to help to keep the exchange steady, in a fluid condition.

12,553. (*Sir F. Mowatt.*) When you say "fluid," do you mean that it should pass into the currency?—No, I mean that it should be capable of flowing backwards and forwards between India and those countries which are trading with India and with which there is a balance of trade to be adjusted. That is what I mean.

12,554. (*Chairman.*) You mean that not only should the gold go into India as we are now assured it is doing, but that it should also flow out?—Yes, that is the essential thing.

12,555. And the ebb and flow would create the true level?—Quite so, and I do not feel sure that under the existing system it will flow out again readily because it may get caught in the Government reserves. The best expedient to adopt is, I suggest, to give the public the right of buying that gold. Of course, if the Government themselves shipped home their gold, and at the same time filled up their reserves with silver rupees and currency notes, then the Government might keep a stable rate of exchange; but I do not like trusting to the Government, and I should like to make the system automatic by giving the public the right of buying any gold that has accumulated in the Government reserves.

12,556. Is not that another way of putting the convertibility of the rupee?—It is not quite the same thing.

12,557. It is not quite; but it is a long way towards it?—Yes, it is going very much in that direction, but it is a limited convertibility because it would only act in so far as gold had accumulated.

12,558. That is to the extent of the gold that would be available for the purpose?—Yes.

12,559. I do not want to interrupt you, but you are not overlooking, are you, that the Government has to make payments to the extent of something like 17,000,000*l.* of gold every year in London?—I am not overlooking that fact. That I should prefer to be carried on very much in the same way as at present.

12,560. Now, will you go on to explain that in your own way? Have you any other suggestion to make with reference to what you call the policy of drift?—I should like to avoid having a gold currency in India.

12,561. Is that part of the policy of drift?—Yes. Even if the policy of drift is adopted, I should like to avoid having a gold currency in India, although I admit that it is a matter of quite secondary importance. If you had no gold currency in India, the gold which reaches India all flowing into the reserve, it would be far easier to keep a watch on that reserve and to tell when it was running dangerously low; and, when it was running dangerously low, steps might be taken to increase it. That is one reason why I would prefer a gold reserve rather than a gold currency. Another reason is that paper is less likely to be hoarded than gold. As I have not been in India, I can only speak with diffidence on this matter, but I suppose there is a risk of hoarding, and I would rather avoid it if possible. Lastly, I think gold in a reserve can be made more readily available for flowing abroad than if it is in currency. If the gold is in currency, up country for example, then it might require a considerable change in the rate of exchange before all that gold was dragged out of the currency. If the gold was held in a reserve, and if there was a considerable amount of money which might be exchanged for that gold, all that gold would at once be available to flow abroad in response to any change in the balance of trade. Therefore, gold in reserve is always more readily available for international purposes than gold flowing about in the currency. I mean to say that I would have gold held in reserve and the certificates, which might be exchanged for that gold, would flow about the country.

12,562. You mean paper notes?—Paper notes.

12,563. A paper currency?—A paper currency.

12,564. With gold at its back?—Quite so.

12,565. (*Sir F. Mowatt.*) When you say the public should have the right of purchasing the gold from the Government reserves, do you mean purchasing it by notes?—Purchasing it with silver rupees or currency notes.

12,566. With silver rupees?—Yes; if the policy of drift is adopted I should prefer to have that.

12,567. (*Chairman.*) Those are the suggestions that you make as to the policy of drift. Now supposing the policy of drift is not adopted, and that the Government should be of opinion that it was desirable to proceed with vigour, how would you suggest the introduction of a gold standard?—If you desire to take immediate action, which I think it is right should be done, then still I should like to take these steps to prevent gold becoming current. But that is not the most important point. The most important point is still this contraction and expansion of the currency, which I do not think will be efficiently provided for under the policy of drift. I should like to see the Government sell notes for gold at the rate of 1*s.* 4*d.* I would not put the Government under the compulsion of selling silver rupees for 1*s.* 4*d.*, because I would much sooner have the currency consist more of paper and less of silver, although it is of the greatest possible importance that there should be sufficient silver in circulation. That of course gives the expansion of the currency. Then with regard to the contraction of the currency, I should like to make the Government undertake to convert all the existing currency notes into gold on demand. If that was felt to be too rapid a change to be made all at once, then in the first instance only a proportion of them might be made convertible into gold. I would like to make these notes convertible into gold in London, but that is a point of secondary importance. The reasons why I should like to make the notes convertible into gold in London are those which have been very fully stated by Mr. Lindsay, and I do not propose to repeat them. There is one point I should like to emphasize. I take it that one of the great objects to be attained in any currency reform in India is to get a greater elasticity of the currency. Now, I think that you will get a greater elasticity of the currency if you make conversion in London. To make the currency more elastic in times of stress, it is, I think, necessary judiciously to allow the amount of notes against a given volume of gold to be increased. The amount of notes against a volume of gold must be increased in times of stress, and I think that it would be more possible to do that if the gold were held in London than if the gold were held in India. Your gold reserve in India will at first be small, and, when it is running low, greater apprehension will be felt if it is held in India than if it were held in London. That is one of my reasons for wishing to have the convertibility in London, because I think you will get greater elasticity.

12,568. Does not that practically amount to this, that your convertibity is to be confined to exchange transactions?—That would be the result aimed at. I would, in fact, propose something in the nature of Mr.

Lindsay's proposals, with modifications. The great objection that has been taken to Mr. Lindsay's proposals is that they appear artificial. I do not think that the criticism is well founded. If gold is handed in to the bank in London, and notes are handed out at another counter, nobody calls that an artificial transaction, and I think nobody calls it Government interference even if it is done at a State bank. I do not see how it makes the system any more artificial if you separate the two counters, the one at which the gold is handed in, and the other at which the note is handed out. I do not see that it makes the system any more artificial, even if you place the counter at which the notes are handed out as far away as India. My proposal simply would be that sovereigns might be handed in in England and the corresponding notes would be handed out in India. That would be the way in which the currency would be swollen. The circulation would be contracted by the note being handed in again in India, and the gold handed out in England. Then as to the question of the margins said to be necessary to give a certain play to the rate of exchange. If I may just allude to Lord Farrer's evidence given before this Committee yesterday, his Lordship thought it was necessary to have margins. That is a very complicated point, but I have thought over it carefully, and I see no advantage in having two margins as proposed by Mr. Lindsay.

12,569. What have you to say about the convertibility of the rupee?—I think, if we consider the question of the convertibility of the rupee we are on the horns of a dilemma. We must make them either convertible or not convertible, and there are objections to both plans. If you do not make them convertible into gold, there is a chance of the convertible notes going to a premium. I do not think there is any theoretical reason why they should do so, but the want of confidence in the inconvertible rupee might possibly have the effect of driving the convertible note to a premium, which would be objectionable. But there are other reasons, and perhaps stronger reasons why I should like to make the whole currency convertible.

12,570. What are they?—The first of these reasons is that it would reduce to a minimum the amount of gold necessary to maintain a stable rate of exchange, if all the money in the currency was available for conversion. For instance, if gold notes were hoarded, and if gold were set apart specially for the redemption of those gold notes in hoards, that gold would be for the time being quite useless for the purpose of adjusting the balance of trade. Gold notes may be locked up for a time without being actually hoarded. If all the gold were readily available for exchange operations, a small reserve would suffice to check oscillations in the exchange, and, if the gold can be bought with all the currency, then it would all be quickly available. There is another reason why I should like to make all the currency convertible. If you have a large mass of inconvertible currency, silver rupees or currency notes, you always run the risk of filling up the currency too full. The Government will always be under the obligation of seeing that they are not forcing too many silver rupees or too many currency notes into circulation. If they do that, they must inevitably drive the whole gold out. If you apply the safety valve of convertibility, the Government will at once have warning if they are filling up the currency too full with silver rupees and currency notes, and, therefore, in my opinion there would be an element of safety in making this complete convertibility.

12,571. (*Sir F. Mowatt.*) And you would take any premium on gold or notes as a proof that the silver currency was becoming too ample?—The proof would be, I think, that the silver rupees would be presented for exchange for gold; they would come in rapidly for exchange, and the excessive issue would show itself in that way.

12,572. (*Chairman.*) But would you make all the silver rupees convertible at once?—I should like to do so.

12,573. Would it not require a large quantity of gold?—I do not myself think it would.

12,574. Will you just tell us what your views are upon that point?—Each rupee, as it flows out of the currency, provided it is not replaced by a gold coin, must diminish the number of rupees in circulation; and when the rupees in circulation diminish, their value increases, because the demand remains the same. The value of these rupees must inevitably rise as the coins flow out of circulation. You would therefore come, and come, as I think, very quickly, to the point where it would cease to be profitable to exchange rupees for gold. If the gold does not flow into circulation to replace the silver rupees flowing out of it, there is an absolutely definite limit beyond which no rupees will be presented for conversion.

12,575. It excludes the possibility of money coming in from hoards?—That is, of course, one of the dangers that have to be considered; but I think the point to be considered with regard to convertibility, to which sufficient consideration has not yet been given is that, if you are to make rupees convertible into gold, it is absolutely essential that the gold itself shall not flow into circulation to replace the silver rupees. If gold flows into circulation to replace the silver rupees, then you may have a very considerable amount of silver rupees flowing out and demanding conversion into gold, and the liability may then become very great.

12,576. What shape is the conversion to assume? Take this illustration:—I have got 15 rupees, and I go to the Indian Treasury with my 15 rupees; am I to receive a sovereign for them?—I should prefer, as I said before, having the conversion in England; but, if you assume the conversion is to be in India, that would be the form.

12,577. Now, that sovereign coming out, does it not go into circulation?—I should endeavour to prevent the gold getting into circulation by, in the first place, preventing it from being received at any State institution.

12,578. You would not make it legal tender?—I would not make it legal tender, and I would go further; I would prevent it from being received, as I understand it is at present, in payment of taxes. I would abolish that law.

12,579. That is, you would not give 15 rupees for the sovereign?—I would give 15 rupees for the sovereign, but I would not allow any tax collector to receive that sovereign, and I would prevent it being received at any railway; and I would prevent it becoming legal tender. And I would take one more precaution in order to make gold flow out of circulation more readily than silver rupees. The Government would sell currency notes for silver rupees; they would be bound to do that; but they would have the option of charging ½ per cent. when silver rupees were presented in demand for notes. This option should only be used if gold is entering into the currency.

12,580. (*Mr. Campbell.*) Do you mean gold notes?—Yes, I would only have one class of notes.

12,581. (*Sir F. Mowatt.*) The note would be changeable for a sovereign, would it not?—Yes.

12,582. So that the two transactions would amount to this, that the person bringing the 15 rupees would buy a 1*l.* note, and he would then buy 1*l.* with his 1*l.* note?—Just so, but in the first of those transactions I would give the Government the right to charge ½ per cent. premium if silver rupees were presented, the object being to make gold flow out of circulation more readily than silver rupees. I think in that way you would make it quite certain that gold would flow out of the circulation more quickly than the silver rupees, and that is all that is required in order to make complete convertibility a safe proposal.

12,583. (*Chairman.*) Then do I quite understand your scheme to be this, that the currency in India

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would remain as it is now, mainly rupee currency supplemented with convertible gold notes?—Yes.

12,584. That there would be no gold coin in circulation at all?—Yes.

12,585. But that, if anybody wished to have gold for his rupees, the first step would be to have a note, and the second step would be to turn that note into gold?—Yes.

12,586. But that note would be turned into currency, into sovereigns?—Into sovereigns, but it would not be turned into sovereigns in India.

12,587. It would be turned into bullion, the bullion assuming the shape of a sovereign which would require to be exported?—If you have the conversion in India. But I should prefer to have it in London. I have written out my scheme here.

12,588. Will you just read it to us?—Before I read it I should like to say this: As I have said, this is very largely a question of policy. The essential features, and this I want to put very strongly, are that the rupee should be at 1*s.* 4*d.*, and that a portion of the currency should be convertible into gold. Those to my mind are the really essential things, and I would give up everything else rather than sacrifice those. Thus the parts of the scheme which I would give up rather than sacrifice those essential things are, first, the convertibility in London, and, secondly, the convertibility of silver rupees. I should give up those with great regret, because I feel sure that they are right.

12,589. (*Lord Balfour of Burleigh.*) You mean those are the things you would establish?—I would give them up for fear of wrecking the whole scheme if that would be the probable result of endeavouring to carry out these proposals in their entirety. I said that the matter is largely a question of policy, and you might have to give up what was theoretically right in order to carry your proposal. I would give up first of all the convertibility in London and secondly the convertibility of silver rupees rather than run any chance of wrecking the whole scheme.

12,590. (*Sir F. Mowatt.*) Before you read your scheme let me ask you this: Taking your convertibility in London, what would happen to a man in India who wanted to convert say 15,000 rupees? How would he proceed to convert them through London?—Are they in notes?

12,591. No, I will take it in rupees?—He would first exchange those for notes. The Government would have the option of charging ½ per cent. premium, and then he would transmit those to England through a Government office. When they reached England they would be convertible into gold.

12,592. (*Chairman.*) That is really Mr. Lindsay's scheme?—Yes, I have said so. There is one other point I would mention. There is another way of meeting the objections that are raised to any scheme of this sort, and that is by limiting the amount of the liability. If the conversion were done in England, and if the conversion were undertaken by the Bank of England, it might be laid down that the Bank would not be liable for more than so many million pounds sterling, and the Government of India might limit their liability in a similar way. That is the way I should really like to meet any popular apprehension. There are two ways of meeting popular apprehension, one by abandoning the convertibility of the silver rupee and abandoning the convertibility in London, and the other is by limiting the liability, by making the Government responsible for the conversion only until a definite gold reserve is exhausted. It is the latter one of the two that I should prefer.

12,593. Then you would have to limit the notes?—I do not see that there would be any necessity to lay down a limit to the number of the notes. If it were announced that notes would be converted into gold up to a certain definite sum and not beyond that definite sum, you could in that way limit both the liability of the Government and the liability of the bank.

12,594. But suppose that more rupees were tendered for the notes?—Then the exchange would have to fall. That is the case in which you have a limited liability and the limit is exceeded; then the exchange must fall, there is no help for it.

12,595. Then you would stop the issue of notes beyond that amount?—I would stop the convertibility of the notes.

12,596. If you have notes for a million and your limit is 500,000*l.*, which notes out of the million are to be converted?—The first that are presented.

12,597. Now will you read your scheme?—"(1.) "The legal tender currency to consist of notes and "silver rupees. (2.) The Government to sell notes to "an unlimited amount at the rate of 1*s.* 4*d.* per rupee. "In England the sales to be conducted like the "existing telegraphic transfers. In India, the notes to "be sold for gold. (3.) All notes to be convertible "into gold in London at the rate of 1*s.* 4*d.* per rupee, "the Government having the right to issue regulations "as to the method of transmitting the notes from India "to England. (4.) The Government to sell notes for "silver rupees in India to an unlimited extent; but "to have the option of charging a premium of ½ per "cent. (5.) All the laws and regulations dealing with "the use of gold currency in India to be repealed. No "collector of taxes, nor any State Institution, to receive "gold from the public. (6.) The Bank of England "to undertake to cash notes sent back from India. "The Bank to receive all moneys received for the sale "of notes in England, and all gold shipped home by "the Government from India. The bank to keep such "a special reserve of gold against these notes, if any, as "may be necessary, according to regulations framed by "the Government, and to receive suitable remunera- "tion. (7.) The Government to have the power at "some future date, and with due warning, to cancel "their liability to convert notes into silver rupees. "(*Note.*) If the Bank of England should demand "remuneration at a very high rate, because of the "apparently unlimited liability, then a limit should be "placed on that liability. A definite sum (say "5,000,000*l.* at first, and increasing as time went on) "should be named beyond which the bank should not "be required to find gold in exchange for notes; and "the Government should strictly limit their liability "in a corresponding manner."

12,598. Have you any further remark you wish to make to the Committee?—I think not.

12,599. (*Lord Balfour of Burleigh*). I do not know whether I quite followed the part of the scheme which I think you foreshadowed in an answer to one of the questions earlier, viz.:—that only a proportion of the notes were to be convertible into gold. When you first mentioned it, you said a proportion of the notes were to be made convertible into gold; the next time you said a proportion of currency. You meant no difference between those two—the notes being part of the currency; is that it?—What I should like to adopt would be this scheme that I have just read, which makes a portion of the whole currency convertible; because both the notes and the silver rupees would be capable of being converted into gold until the gold in the reserve was exhausted. In the answer to which you allude, I was thinking of a possible initial stage in the introduction of the system. The first step might be to make the whole or a portion of the existing currency notes convertible into gold without making any other part of the currency convertible.

12,600. But, if only a proportion were to be convertible at the will of the holder, and that proportion were to be tendered for conversion, and the Government said, "Well we are not bound to convert any more, and we are not going to do it," surely that would prevent your keeping up the par of exchange at 1*s.* 4*d.*?—Inevitably. If there is a limit to the liability of the Government, and if that limit is reached, exchange must fall. You can only avoid the fall in the exchange under all circumstances by undertaking a nominally unlimited liability. You are on the horns of a dilemna. You must either say, "my liability is unlimited and I will prevent the exchange falling," or,

if you take a limited liability, directly the limit is reached, exchange must fall. I see no alternative.

12,601. I agree, but suppose people know that there is to be a limit; would not that tempt some people for selfish purposes to disturb the balance and bring about a fall of exchange, and so defeat the real object which you have in view of making a stable par of exchange?—I think that is one of the dangers of limited liability, but I do not see how, with any limitation of liability, you can get over that danger. However you limit it, I think you will find that that danger will come in in some form or other.

12,602. Then there is another passage in the earlier part of your evidence. You mentioned that last point two or three times, which I endeavoured to concentrate in my question, but there was another passage in your evidence which attracted my attention and which I did not fully understand. I understood you to say that notes held against gold were to be increased in time of stress. What did you mean by that?—If any system such as that which I have now proposed were adopted, I think the elasticity of the currency could be increased in some such manner, because I do not propose to have definite gold held against definite notes.

12,603. But surely the propriety of having notes is that they should be either held against gold or converted into gold on somebody's guarantee?—That is the idea in England. But we do not have a right to convert our silver currency or our copper currency. There is no right of conversion in that case; and, if you gave a right of conversion of the silver currency in England, I do not see why you would necessarily have to put aside a separate amount of gold to meet that silver and that copper currency.

12,604. This last answer has opened up rather a large question, and one which we had before us yesterday; but, obviously, if silver is not a legal tender beyond 40*s.*, it is in a wholly different position to either notes or a rupee, which is legal tender to any amount?—That is, no doubt, so.

12,605. In that case, of course, the analogy fails between the two?—It does make a considerable difference.

12,606. Now let me get back to the other point. If notes held against gold may be increased in time of stress—I presume at the will of the Government?—Yes.

12,607. Does not that put a tremendous temptation and power in the hands of the Government of really debasing the currency? Does it amount to anything less than that?—That is the danger, but I think you must face a certain danger in order to give elasticity to the currency.

12,608. But, if you contemplate the Government doing that at all, even to the extent of 100,000*l.* sterling value, is not that an improper and illicit operation?—I do not see that it is so, if it has the effect of diminishing the stringency. If you have convertibility of the coin you prevent the debasement of the rupee; no doubt, you cannot increase the currency without producing a debasement in the rupee if you increase it to an illegitimate extent; by making the rupee convertible you avoid that danger as long as any gold remains in the reserve.

12,609. You used the words "increased to an illegitimate amount." I suggest that, if notes are known to be held against gold, any increase of it beyond the amount of the gold you hold would be illegitimate?—Well, I am not prepared to agree with that view, that is all I can say.

12,610. (*Chairman.*) What you suggest is some equivalent to the suspension of the Bank Act by the Chancellor of the Exchequer?—Yes, but a more regulated operation.

12,611. If that is illegal, the Chancellor of the Exchequer's letter justifies the Bank in doing it, but only on the ground that the Chancellor of the Exchequer promises to get a Bill of Indemnity passed in the next session of Parliament?—Quite so.

12,612. (*Lord Balfour of Burleigh.*) Then I will take you upon that point. What is to be, under your proposal, the security corresponding to the fact that the Chancellor of the Exchequer has to get a Bill of Indemnity passed through Parliament?—Under my scheme you would have to trust to the Government framing suitable regulations.

12,613. We do not trust the Chancellor of the Exchequer; he has to get a Bill of Indemnity from Parliament?—Yes. I think, as far as I can judge, it is a pity that a little more trust is not placed in the Bank of England. I should be prepared to trust the Bank of England rather more.

12,614. (*Sir F. Mowatt.*) That amounts to saying that you would give the Indian Government a permanent Bill of Indemnity for the issue of notes beyond its reserve guarantee?—I should prefer to say that I think regulations might be framed for increasing the currency in times of stringency. It would be similar in its effects to a permanent Bill of Indemnity under conditions.

12,615. Now, you said that, if the *status quo* were maintained, it would lead to the gradual introduction of gold into India. What is the reason that you would give for that?—I suppose that there will be a slow diminution in the number of coins by wear and loss, and we may expect a gradual increase in the amount of business demanding an increased currency at the existing rate.

12,616. That would tend to bring the gold in?—That would tend to bring the gold in.

12,617. You said that part of your plan, if active steps were taken, was that the Government should sell gold at 1*s.* 4*d.* for notes. Did you contemplate those notes going into the reserve from which the gold had been taken or did you contemplate those notes passing into the currency?—I contemplated those notes passing into the currency reserve; or rather being cancelled.

12,618. Then the silver for those notes would go into the reserve?—I do not quite follow that point.

12,619. Somebody purchases gold at 1*s.* 4*d.*, the Government is to sell the gold at 1*s.* 4*d.*?—For rupees?

12,620. Not for rupees but for notes at 1*s.* 4*d.*, I understand?—Yes.

12,621. Then the Government has the notes and the purchaser has the gold?—Yes.

12,622. (*Sir F. Mowatt.*) The Government sells the gold?—You are talking of conversion in England.

12,623. No. Suppose it was in India. A person coming to the Government would say "I want gold "and here are my notes." The Government then has the notes and the purchaser has the gold. The notes are in a reserve. Should these notes be passed into the currency?—No. It is essential that they must be withdrawn from the currency.

12,624. (*Chairman.*) Will you just explain the two operations, the convertibility of the gold and the convertibility of the rupee?—Suppose a man has silver in India, he will have the right of going to Government and obtaining notes for that silver. The Government may charge ½ per cent. premium. Then he has his notes. Take the case that he wants to get gold. He hands those notes into some office in India. I have not gone into the exact method of transmission, but either the notes themselves or preferably some document representing those notes would be sent to England, and the holder of that document would have the right to draw sovereigns in England. The object of the ½ per cent. premium is, as I have explained, to make gold flow out of the currency in India in preference to silver rupees.

12,625. (*Mr. Campbell.*) With regard to the ebb and flow of the currency which you think would be necessary to maintain the par of 1*s.* 4*d.*, you say the gold received into the Treasury could not be shipped back to England?—I meant to have said that there seems to be no automatic arrangement for the shipping back of that gold—that we cannot be sure that it will come back.

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12,626. But you said that you would give the public the right to buy the gold?—I would give that right to meet the difficulty.

12,627. How could you be sure that the public used the gold that they bought for that purpose?—You could not ensure it; all you could do would be to take the precautions I have mentioned to keep gold out of the currency by preventing its being legal tender or being received in payment of taxes, &c.

12,628. Suppose a person were to buy gold and lock it up, then the gold reserve would be wasted or applied to quite a different purpose from that for which it was intended?—No doubt.

12,629. The Chairman put a question to you as to the liability of the Government to provide 17 million sovereigns, and I think you said that you would prefer not to allow the reserve to be used for that purpose?—I do not recollect the answer to which you refer.

12,630. Why would you not allow them to use the reserve for that purpose?—If it is good business for merchants to send out gold to India, I should think it must be bad business for the Government to immediately ship it back again. If it is at once shipped back to England, whatever be the state of the balance of trade, then you will have no gold reserve in India.

12,631. I only mean their shipping it to England when they cannot sell their Council Bills at 1*s.* 4*d.*?—I should not object to their doing that, provided that the Government fill up the vacancy in the reserve with silver rupees or notes from the circulation.

12,632. I notice your statement as published in your pamphlet——?—I have simplified that a good deal.

12,633. I notice from your statement as regards the gold notes which you would issue against gold paid in in England, that the holders would not have the right to go to the Treasury Department and demand rupees for these?—I have stated in my scheme that I would allow the Government to cancel the liability to give rupees for notes at some future date. I would not cancel it immediately. Of course, Government must be exceedingly careful that there are enough silver rupees in circulation in India; that is an essential thing for the Government to look after. But I would prefer there not being a legal liability to give silver for these notes.

12,634. Then practically these notes would be inconvertible in India; they would be legal tender, but inconvertible?—Inconvertible in India, quite so.

12,635. The currency of the country, if your scheme were carried out, would consist of rupees and inconvertible gold notes?—I should not call them inconvertible, because they are convertible in England.

12,636. But a native of India could hardly use them in that way?—In that sense of the term, as you put it, they would be inconvertible.

12,637. Then do you think that the natives of India would take these notes?—I am inclined to think they would. I have got the best evidence I could—of course with difficulty—as to the using of notes in India. I believe that, with certain precautions, the use of notes may be very largely increased in India. That is the evidence I have.

12,638. But you are aware that at present the note circulation is confined to the Presidency towns and the large trade centres; notes do not circulate in the interior at all?—I am aware of that, but I think that the objections to using them could be overcome with proper precautions. I have a long letter here as to the reasons why the natives of India do not use notes.

12,639. If they do not use currency notes, which can be converted into rupees, do you think they could be got to use gold notes which were practically inconvertible altogether?—I think that steps could be taken to induce them to use notes.

12,640. Then you contemplate the possibility of these going to a premium?—No, not a greater premium than ½ per cent.

12,641. But suppose the exchange were to fall?—If the exchange falls, the whole gold currency system is a failure.

12,642. If exchange were to fall, and these gold notes went to a premium, your scheme would fail?—How could they go to a premium if they were convertible in England?

12,643. If the exchange in India fell they would go to a premium measured in rupees?—They would hardly be used at a premium in India; would they not be sent home for conversion rather than be used in India at a premium?

12,644. Certainly, but the mere fact that they were available for remittance to England would send them to a premium. Supposing exchange went to 1*s.* 3*d.*, then a gold note would be worth about 6 per cent. premium?—But would it be used in India for any payments?

12,645. Whether used or not it would be worth that in rupees?—Possibly, but the result would be that it would flow back to England and the flowing out of these notes would raise the value of the rupee and bring it back very quickly to the 1*s.* 4*d.* rate. That is the automatic arrangement for steadying the exchange.

12,646. Supposing they did go to a premium in that way by a fall in the exchange, do you think it would be a satisfactory currency to have a note circulating at one price one day and at another price another day?—I do not admit the possibility of that. I think that is the very essence of the system of a fluid margin; the notes cannot go to a premium, because if they were at a premium they would be sent home to England.

12,647. If they could be sent home at 1*s.* 4*d.*, and exchange were only 1*s.* 3*d.*, would not you, as a remitter to England, go and buy a note at 1*s.* 4*d.* and pay your 5 or 6 per cent. rather than go to a banker and pay more?—I certainly should, and notes would flow to England rapidly.

12,648. Then they would not be available for currency purposes in India at all?—Not until the premium ceased.

12,649. Is not that another objection?—No, because, if the margin is sufficient, those notes flowing home to England must inevitably raise the value of the remaining currency and at once bring it up to the old value. That is the very idea of having a fluid margin.

12,650. But until exchange rose to its old level these notes would command a premium?—I do not think that will occur any more than in the case of 5*l.* notes in this country.

12,651. With regard to the gold notes issued in exchange for rupees, would you propose to borrow in London to meet those presented for encashment?—The arrangement I should prefer, if it could be managed, would be to get the Bank of England to undertake the cashing of the notes, and to pay them a definite sum for undertaking the liability. That would, in effect, be borrowing, but it would be borrowing, as it were, by deputy.

12,652. It would be borrowing from the Bank of England instead of borrowing from the public?—It would not be strictly borrowing, because it would be paying a sum for them to undertake the liability. It would be very analogous to borrowing.

12,653. Considering the very indefinite nature of the liability, would the Bank of England be likely to undertake such a thing without at least some very large consideration?—I dealt with that point in a note to my scheme. I think it very likely they would not, and therefore it probably would be necessary to limit the liability of the Bank of England. If you limit the liability of the Bank of England, you run the risk, as you do in all limited schemes, of exchange falling. There is no escape from the dilemma. If you have unlimited liability you can keep up the exchange under all circumstances. Directly you put any limit to your liability, you must face the fact that, when that limit is reached, exchange will fall.

12,654. But is there not this objection to placing a limit on the liability, viz., that, whenever there is any indication of the liability coming near that limit, the scramble to avail of it as long as it lasted would be intense?—I think that is an objection to any limit of liability; but directly the scramble begins that scramble will have the effect of diminishing the number of coins in circulation in India, and raising the price of the rupee. It will act in both countries very rapidly.

12,655. Then, if the limit of liability were reached, and the scheme broke down in consequence, you would be saddled with whatever debt had been contracted in order to keep it up?—Yes. If you were to pay the bank so much a year for undertaking the liability, if you limit your liability, and they give gold up to the limit of their liability, your expenditure will cease. The expenditure you will have incurred in payment to the Bank of England for undertaking the liability will no doubt be gone; you cannot avoid a risk without certain expenditure.

12,656. Then practically you transfer your liability from your own shoulders to those of the Bank of England?—Only the liability to find gold at the moment it is required.

12,657. (*Sir F. Mowatt.*) Then it would be the Bank of England that would have lost the money?—Well, I am not a banker, and I find it very difficult to suggest a scheme with the Bank of England which might be acceptable. It is rather difficult for me to suggest any definite scheme. All I meant was that, on the payment of a certain sum to the Bank of England, they would undertake the liability to find the gold, on the condition that, if they gave gold for notes, we should in a certain time repay them any expenditure that they were put to.

12,658. (*Mr. Campbell.*) Then, as regards the rupees or notes received in India against these sales of gold notes, these would be locked up in the Treasury?—Yes; in the currency reserve.

12,659. And practically withdrawn from circulation?—That is the essential thing. They should be withdrawn from circulation.

12,660. What would you propose doing with them, because they would be lying idle and involve the loss of interest?—The notes would involve no interest. The silver rupees would lie idle until the silver reserve—if there was a definite reserve—had gone up to a certain point.

12,661. Would you propose melting or selling any of these rupees?—I should be very cautious about melting silver rupees, mainly because I think that the sentiment of the people would be against that. I do not think there would be any harm in melting a certain number of rupees and selling silver, provided that by so doing you did not materially reduce the price of silver. What I should do with regard to melting the rupees would be to melt them and sell them, provided there was a plethora, until the silver began to show a material sign of falling in gold price; then I would keep them in reserve.

12,662. Would it be right to say that your scheme proposes, by an artificial contraction of the currency, to maintain exchaage at 1*s.* 4*d.*?—I should not put it myself exactly in those words. We are now at 1*s.* 4*d.* If the exchange were to tend to fall, a contraction would take place, just as, if exchange falls between any other country and England, and gold flows out of England, there is a contraction in England. If you call that a contraction in England, then I say it would be a contraction in India under those circumstances. It is a matter of words.

12,663. But in the one case it would be a contraction produced by artificial means; in the case of England it would be produced by the natural influences of trade?—There I entirely disagree, if I may say so. It seems to me that one would be as natural a process as the other.

12,664. (*Mr. Le Marchant.*) Under the first system you were mentioning, which you term the policy of drift, you would propose that any gold received should be kept in India?—Yes.

12,665. You spoke of its possibly being delivered out to the public?—Yes.

12,666. Have you considered by what steps that could be done? For instance: would it be by tender, as in the case of a sale of Council Bills, or at a fixed rate?—My idea was to have it at a fixed 1*s.* 4*d.* rate, because, I think, if you depart from that rate you might at once be helping to produce the change in the rate of exchange which we want to avoid.

12,667. How would you determine the priority of applicants if the rate were fixed?—I think it would be merely a priority in time.

12,668. Are there any steps that you think would conveniently follow on upon that, moving towards a more perfect system?—What would be the next step in fact you mean?

12,669. Would you propose to move from the first system to the subsequent one which you described, with gold in London?—It is always very difficult to discuss the steps to gradually reach a perfect scheme. I should not like to say what would be my next step without further consideration. I should increase the gold held in India as a reserve by purchasing that metal when there is a surplus.

12,670. Would you regard the first scheme as consistent with the transition eventually?—Yes.

12,671. In speaking of elasticity, would you regard the notes issued under your second system—notes payable only in London—as of a character to meet the demands in the crop season in India?—I should think only partially.

12,672–3. (*Sir F. Mowatt.*) That is the excess of note issue you mean?

(*Mr. Le Marchant.*) Yes?—I should imagine that would only be partially the case at present in India, because the demand would be for an increase of silver rupees, which are not sufficiently mobile to meet the strain quickly. But from the evidence I have been able to obtain, I think that notes could be more and more introduced into the Indian system, and then the notes would more and more fulfil the requirements of elasticity. One of my reasons against melting rupees at present is that to meet that very want in the crop season I think it very desirable that for a long time to come the Government should have a very large reserve of silver rupees, which could be made available in different localities.

12,674. From what fund would these rupees be provided? For instance, I think you would require a reserve of rupees as well as a gold reserve?—No doubt.

12,675. Would you propose taking those rupees from the currency reserve?—Yes, in times of stress.

12,676. (*Sir F. Mowatt.*) You would issue into the currency again the rupees which were in the reserves when the tight time of the year began?—Yes, that would be my view.

12,677. (*Mr. Le Marchant.*) Upon the gold notes being paid into the currency reserve?—My view was that it might also be done in times of stress, very carefully and to a limited extent, without any such inflow of gold notes, in order to relieve the tension.

12,678. Would you leave that at the discretion of the Government?—Yes, I do not see any other way of doing it at present.

12,679. You mentioned that under a system of convertibility the Government would have warning if they had allowed excessive issues to be made; in what way would the Government control excessive issues? Would it not be the right of everyone to ask for notes?—If the issue were excessive, there would be a tendency for the exchange to fall, and rupees would be presented for conversion into notes, the notes being required for transmission to England. If there was too rapid a presentation of notes for transmission to England, then the Government would have warning and could take one of two steps; they could either contract their currency in

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India by calling in rupees, or they could increase their gold reserve to meet the liability created in England by further borrowing.

12,680. Any material expansion of the currency in one season would be liable to be followed by a reaction?—Yes, probably it would.

12,681. You spoke of Government calling in rupees in India. In what manner would they call in rupees?—I imagine that would be possible by local borrowing in India, or, in the case of an expansion to meet exceptional stringency, the contraction would be effected by the repayment by the Banks to the Treasury, and by the Treasury to the currency reserve, of any special advances; the maximum amount of such special advances varying with the excess of the rate of discount in India over the English rate.

12,682. That might not be convenient in a season when people were anticipitating depression?—You are rather dealing with banking questions, upon which I do not profess to be in any way an expert.

12,683. But it appeared to me that the Government was being converted into a banker?—No doubt.

12,684. When you were discussing the probability of a premium upon gold notes in the event of a tendency of exchange to fall, were you alluding to gold notes with complete convertibility or limited convertibility?—I do not remember the point you are alluding to.

12,685. I think you were discussing with Mr. Campbell the question whether the notes would not go to a premium if exchange tended to fall. Were you speaking then of notes with limited convertibility, that is to say, with a limited amount convertible, or with unlimited convertibility?—I did not distinguish the two cases in my mind. As far as I can see, my answer would apply to both cases.

12,686. You mentioned, I think, that limit of convertibility might be obtained by a statement of the Government that a certain amount only of the notes in circulation would be cashed? — Either that or, I think, more conveniently, that there was only a certain amount of gold available for cashing them.

12,687. Would not that be a breach of faith with existing holders? It is not easy to draw a distinction, when notes are in circulation, between the rights of different holders?—I think if anyone drew a note, knowing these conditions, their enforcement could not be said to be a breach of faith.

12,688. It might increase the desire to cash them?—It might; but, as I said before, it is very difficult to get any form of limited liability in which you will not have that difficulty.

12,689. (*Chairman.*) The strength of the chain is to be measured by its weakest link, and the possibility which might attach, even to one note, may be taken to be the ultimate possibility of all the notes?—I think so, and it is for that reason that I prefer unlimited liability. But if it is admitted, and of this I am not certain, that notes would be reduced in value if there were not a full reserve held against them, is it not almost equivalent to admitting that, if you have gold notes and inconvertible silver rupees, there would also tend to be a difference between those two in value?

12,690. (*Mr. Le Marchant.*) If you issue notes convertible only in London, would you propose to issue no further notes of the kind now current in India?—I do not know why all notes should not be equally convertible under this system. I would not have two classes of notes.

12,691. (*Sir F. Mowatt.*) You would have them all convertible in London?—All convertible in London.

12,692. (*Mr. Le Marchant.*) At present the notes are paid in rupees. Would you still continue that facility?—I have said that I would not put the Government under the legal liability to convert notes into rupees as well as into gold; or rather, I would give the Government the power to get rid of that liability, when they felt it safe to do so. You must look to an increase of notes. If this liability is not cancelled, either you must have notes convertible both into gold and silver, when you have a double liability created; or you must have one set of notes convertible into gold and another set convertible into silver, which is to my mind objectionable, because you might have one set of notes going to a premium as compared with the other.

12,693. Speaking of the first system, have you any opinion as to the probable movement of exchange——whether the rate is likely to vary to any material extent?—My impression is that the rate of exchange will keep up to 1*s.* 4*d.*, but then that is only a prophecy, and anybody who looks to the history of currency will, I think, see that it is strewn with false prophecies. Perhaps I might give my reasons why I think it will keep up and where the danger lies. The exchange is really based upon the rupee price of the metal gold in India. We should all admit that the rupee price of tin or copper or lead will continually vary, and, as long as you have a monopoly rupee system, so long will the exchange certainly vary. Of course the rules of 1893 have a great influence on the question. The rupee will probably increase in value both because the numbers are diminishing and because of the increase of business; but what is, I think, often forgotten is that it will not be enough for the rupee to increase in value; it must increase in value quicker than gold. Now, we do not know what the future of gold is going to be. Probably it will fall in value; but that prophecy has been made for years and years, and so far it has proved false. If that should be false in the future—if the gold should increase in value and increase in value quicker than the rupee, then exchange is bound to fall. I do not myself think there is any chance of the exchange falling very greatly, but it might fall to a certain extent, and my strong feeling is that, the exchange now being at 1*s.* 4*d.*, now is the time to fix it there for ever. Such a fall as I predict as possible but not likely is one that would only last a limited time, because the increase of business and the diminution of the number of coins in India would be sure to bring the rupee back in time to 1*s.* 4*d.* Some expenditure might be necessary to keep it up to 1*s.* 4*d.* for a comparatively short period, and I do feel very strongly that that expenditure would be justified, and would be worth incurring.

12,694. You say, if I understand you rightly, that the increase of value must be quicker in the case of the rupee than in the case of gold?—Yes.

12,695. Why is that necessary; why may not they move *pari passu*?—I will say quicker or equal.

12,696. (*Sir C. Crossthwaite.*) I suppose you admit that the bulk of the currency must remain in rupees for a long time to come?—In silver rupees, I presume it must. I should only like to say on that point that, although India is a very poor country, I think there are a considerable number of rich people, and those rich people might use a fair amount of gold in currency if you allowed the currency to absorb gold.

12,697. I suppose you know that, in order to buy produce—supposing a merchant is buying produce up country in India—he will not be able to pass notes to the peasantry; they will not take them?—I know they will not take them at present; but I think, from the little evidence I have, that something might be done to make them take them.

12,698. You are not acquainted with India yourself?—No, I am not.

12,699. Suppose the bulk of the currency to be in silver rupees for a considerable time to come, it is important, is it not, to have that currency automatically increased or reduced, as the trade requires?—I think it is.

12,700. Then suppose more rupees are required, I want to understand how, under your system, those rupees are to be obtained?—They would be obtained for gold; and although, as I said, I would allow the Government to get rid of their legal liability to exchange notes for rupees, I would not do that in the immediate future until it seemed safe to do so.

12,701. So that immediately the rupees would be obtained for gold?—For gold or notes. Notes, I understand, are now convertible into rupees on demand. I would not abolish that immediately—not till it was quite safe to do so.

12,702. So that, if a man wanted rupees, he would get them, either for gold or notes?—Either for gold or notes.

12,703. Then suppose rupees became redundant through the turn in trade, they would be paid into the Treasury?—Yes.

12,704. For what? What would a man get in exchange for them?—He would get paper notes for his silver rupees; and, if he wanted to convert his paper into gold, he could do so in London, according to my scheme.

12,705. You would charge him a premium for doing that?—For converting the silver into notes, yes; the Government would have the option, not necessarily used, of charging ½ per cent.

12,706. Do you think that that would, to any appreciable extent, prevent the ready flow back of rupees into the reserve?—I should have thought not; it is a small premium, and not certainly enforced.

12,707. Then what is the object of charging the premium—merely to make a gain?—No, it is not to make a gain; it is to induce the public to present gold in preference to silver rupees.

12,708. But the case that I was putting was that, in consequence of the turn of trade, rupees were redundant. In that case it would not be the gold that was redundant, it would be the rupees that people did not want. Suppose a slack season comes, and rupees are no longer wanted. How would the charge of a small premium induce a man to pay gold, which he wants in London, into the Treasury, instead of paying rupees, which he does not want any longer in India, and cannot use in London?—If he wants to ship home gold, and he owns gold, he will not need to buy gold with rupees in India. It may be that the ½ per cent. premium is not sufficient; but, if there is a certain premium charged on the rupee, that would tend to make the gold come in first—I think your point would be met by saying that it may possibly be that the premium of ½ per cent. is not enough.

12,709. What I am putting is that, when the rupees are redundant, they should be able to go back into the reserve without any hindrance. You say you charge this premium in order to induce the gold to go back instead of rupees. What I mean is that the rupee is the thing that should come back, so that its value may be kept up?—I agree; but I want the gold to come in first of the two, and I think that, by giving the option of charging a premium, you would induce gold to come in first and silver rupees to come in afterwards.

12,710. Ultimately, under your scheme, what you are aiming at is to substitute a paper currency, to a large extent, for the rupee currency?—Quite so.

12,711. Those notes, ultimately, would not be payable in rupees at all?—No.

12,712. They would be payable in gold?—Yes.

12,713. And in London, not in India?—Just so.

12,714. So that your scheme practically tends to put an inconvertible paper currency upon India; to take out both silver and gold, and leave the people with nothing but an inconvertible paper currency—inconvertible in India?—Inconvertible in India, yes. I should like to say that, in forming my scheme, I have not looked to the very distant future; I have looked to the more immediate needs. If, after a large gold reserve had been accumulated in London, it was thought more desirable to make the convertibility in India, then it would be easy to transfer that gold reserve to India.

12,715. Do you not think that the people would look with great suspicion on a currency which was adopted with any such intention as that—to take the precious metals out of the currency?—If they have not looked with suspicion on the present scheme, which has reduced the intrinsic value of the rupee so much, I should not think they would look with any more suspicion on a scheme for a paper currency, provided that that paper currency did really keep up to its gold value.

12,716. (*Sir A. Dent.*) Part of your scheme is that the sovereign should not be legal tender to the State, the railways, or tax collectors or any Government institution?—Yes.

12,717. If that were adopted, would it not tend to discredit the sovereign throughout India?—If the term "discredit" is merely synonymous with driving it out of the circulation, I think it would, and that would be my object.

12,718. Would it not also be a great check on the importation of sovereigns by travellers and in small commercial transactions in India?—I think it would; and, as long as the convertibility is in London, I would prefer having no gold coming into India. I do not think India gains—I think India rather loses—by the importation of the precious metals.

12,719. That would be a great check upon one of the great objects the Government of India has, namely to attract gold to the country?—I should say that would be quite an erroneous object, if the convertibility were to be in London. The mere attraction of gold to a country is, as far as I can see, not the object to aim at. I do not see that a country gains any direct advantage by having gold brought to it.

12,720. (*Chairman.*) Assuming that it was possible for a system to be introduced into India exactly corresponding to the system which prevails in England, a gold standard and gold currency with a large silver token currency, practically convertible into gold when needed, should you prefer that to your scheme?—Yes, I should; but at present I think that would absorb such an amount of gold that it cannot be thought of.

12,721. I say, assuming it to be possible and practicable, that would be far better than any of these halting schemes?—Far better, though in England we use an unnecessarily large amount of gold in actual circulation. I wish to repeat that my scheme is only to tide over the difficulty for the immediate future, and is confessedly a makeshift.

The witness withdrew.

Adjourned.

THIRTY-SECOND DAY.

Thursday, 16th March 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR

THE LORD BALFOUR OF BURLEIGH.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. W. H. HOLLAND, M.P.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Rt. Hon. Lord Aldenham.

16 March 1899.

THE RIGHT HON. THE LORD ALDENHAM called and examined.

12,722. (*Lord Balfour of Burleigh.*) You are, I believe, head of the firm of Messrs. Antony Gibbs and Sons, and you have been a director of the Bank of England since 1853, and were a governor of the Bank from 1875 to 1877?—Yes.

12,723. You represented along with Mr. Goschen the British Government at the International Monetary Conference in Paris in the year 1878?—Yes.

12,724. We know also that you are president of the Bimetallic League?—Yes.

12,725. Do you in any way come as representing that body?—Not at all.

12,726. Do you speak with personal knowledge of Indian trade?—Very little indeed.

12,727. Apart from that, the Committee may take it from your writings on this and kindred subjects that you have given considerable attention to the economic aspects of the questions which are before the Committee and to the general principles and facts of monetary science?—Yes.

12,728. It is based upon that experience that you come before the Committee to express your views?—Yes.

12,729. I think you were opposed, were you not, to the closing of the Indian mints in 1893?—Yes.

12,730. As a matter of policy?—Yes.

12,731. Would you like to recapitulate your reasons for that view?—Yes, I will do that as concisely as I can, but I am afraid that it will take rather longer time than the Committee would desire.

12,732. Without going into great detail, perhaps you can tell us your views generally?—I may put it in this way. India possessed an automatic standard of value in silver, the same kind of standard that England possesses in gold. It is, to my mind, a necessity of a good standard that it should be automatic, that the needs of commerce should be supplied by commerce itself. Now, in the place of that, the closing of the Indian mints substituted a managed currency. Instead of being automatic, you may say it was autocratic; the Government has under the present system, and would have under the proposed system, to settle what amount of currency is needed for the people. It should regulate itself by the needs of commerce. The currency existing in rupees is divorced from the metallic value of the rupee, and is dependent only upon the face values; it is, in fact, a forced currency—a debased currency. It is debased exactly in the same mode—I should say rather with the same result, because the *modus operandi* is different—as that by which Henry VIII. debased the currency of England in his day. He did it in a different manner. He said that a shilling weighing such and such a number of grains was the same as the shilling weighing the legal number of grains. He diminished quantity; this diminishes quality. Here the 180 grains of the rupee remain what they were, but the gold value of the grains, by the action of the Indian Government, has been altered and greatly diminished. I do not like to speak of this in the same contemptuous manner in which it has been sometimes spoken of—for example, Lord George Hamilton, on February 21, 1895, spoke of it as a "quack remedy." I do not think it was a quack remedy at all, because, in the belief of those who recommended it, it was a proper remedy. Your quack who prescribes *pilula panis* and *aquâ pura* believes, not in the goodness of his remedy, but only in the goodness of what he gets for it. But in this case one might almost recall what was said of another heroic remedy many years ago, that it was "a crime and a blunder." That it was a blunder was not at all to be wondered at, for the reasons that I shall presently give. The Committee which recommended it had unfortunately not the qualifications that a committee of that kind ought to have had. They ought to have had amongst them merchants, men of business concerned particularly with India, and concerned generally with commerce. They had none of those things. The order of reference to them was not to examine into the question, but to see how such and such a thing was to be carried out. That I think a very vicious style of reference to a Committee on such a grave subject. The present Committee has been appointed in a very different way. The present Committee contains men upon it who are thoroughly acquainted with the needs of commerce both in England and India. The order of reference here is also very much in contrast with that of the former Committee, because this Committee is desired to look into the proposals of the American Government, to look into the despatch of the Indian Government about those proposals, and to consider them, and to consider any other matters that may appear relevant and any other modification of those proposals that may seem to be germane to the matter. Now, as to India generally, it seems to me that the closing of the mints placed it as a producing and exporting country at an economic disadvantage with China and all silver using countries. As to the people of India, it inflicted a grievous wrong from a money point of view, and a very serious wrong from a political point of view, upon the natives by the divorce of the rupee from silver, and consequent loss upon their hoards and savings in uncoined silver. I do not use such a harsh word as "robbery," which is, I think, wholly inapplicable; a robber injures another for his own gain, but the Indian Government injures the native for what is ultimately its own loss. Those are the general reasons that I have to give. The Committee probably will not require me to go into any great detail.

12,733. Just let us take the terms of reference to the Herschell Commission. I do not wish to argue the matter with you, but reading them here, I see that (as I should be inclined to read it) it leaves everything open. You have, of course, studied it, and come to a different conclusion; but the words are: "I have decided to request your Lord-"ship to preside over a Committee for the purpose "of considering the proposals of the Government "of India as contained in this correspondence, and to "advise whether it is expedient that Her Majesty's "Government should allow them to be carried into "effect." Surely those words give the Committee a discretion to report for or against?—Certainly, I did not say otherwise. What I said was that they were not at liberty apparently to consider anything else but that one thing alone.

12,734. I reserve some of the arguments that you use about the disadvantage in regard to Chinese trade and the wrong done to the natives of India, and so on, because those matters will come more properly in cross-examination rather than in your examination-in-chief; but let me refer to one of the expressions that you used in the early part of your evidence. You said that by the closing of the mints the standard was made autocratic; that it was a managed standard, and that the currency was debased. Do you not give any weight to the fact that the exchange since the closing of the mints has been, if not steady, very much more steady than it was before?—You are speaking of the exchange?

12,735. Yes?—But I am speaking of the standard. I speak of the standard whatever it is, and the circulation of that standard money among the people. I am not speaking of the exchange.

12,736. Do you not think that the fact that the exchange has been steady is an advantage to be weighed to some extent against the very severe strictures that you passed upon that policy?—I do not see that the improved exchange, which would naturally follow from good times and a good amount of exports from India, really touches that question at all.

12,737. You find it, then, that the improved exchange is from good trade, and not in any way due to the closing of the mints?—No, I would not say that—certainly not, because I say the closing of the mints, which effected a contraction of the currency, would naturally affect the exchange; but it becomes a factitious exchange—practical and useful to the Government no doubt; practical and useful to those who have to bring funds from the other side to pay their engagements here.

12,738. Then may I take it in this way—this will give you an opportunity of summing up the matter. Looking at the matter, even in the light of the six years' experience gained since 1893, do you, or do you not, consider that, having regard to India as a whole, the evidence is that the legislation of 1893 has been a success?—Not a success, I should say. Perhaps I should put it in a different way—not established as a permanent success, even from a Treasury point of view.

12,739. (*Chairman.*) Do you approve of the proposals of the Indian Government to establish a gold standard?—Not at all.

12,740. Do you know what was their original proposal in 1893?—Yes.

12,741. Why do you disapprove of it?—The first reason is that it seems to me, speaking of India alone, for a population such as India contains, a silver standard and a silver currency are absolutely a necessity, and because a gold standard without a gold circulation seems to be an impossibility. I do not consider that such a thing anywhere can be said to exist.

12,742. I do not want you at the moment to complicate this with the question of currency. I want to deal with the standard. I was simply asking you whether you approved or disapproved of a gold standard?—I absolutely disapprove of it for India.

12,743. What is your reason for that?—As I have already said, a gold standard, to be a real gold standard, involves a gold circulation.

12,744. That is your reason; you have no other?—I have plenty more reasons.

12,745. Will you be good enough to give them to the Committee?—That is my reason as regards India. As regards England and commerce generally, anything that shall further diminish the stock of gold in the world is a very great misfortune.

12,746. That is, of course, a very important reason; but that is a separate and distinct reason with reference to the supply of gold in the world?—Supply and demand.

12,747. Your opinion being that it would cause a great drain on the gold resources of the world?—Yes, if it were successful.

12,748. We must assume that. A gold standard would cause a great drain on the gold supply of the world?—Yes.

12,749. Have you read Lord Rothschild's evidence?—Yes.

12,750. You do not agree with him?—Yes. He does not say that it would not cause a great drain on the gold resources of the world; what he said was that it could be provided.

12,751. He gave some very strong evidence as to the enormous quantity of gold which was being produced this year?—Yes, 60 millions.

12,752. Still, agreeing with him as to that enormous quantity, you would think that there would be difficulty?—It entirely depends upon what use has been made of that 60 millions.

12,753. Now, have you any other reason besides the deficiency of gold to meet the demand which a gold standard would create?—I think I have said quite as much as need be about that. The reasons that I have to give for it are reasons more connected with the currency; and you wish to keep that separate. I see no objection whatever to keeping them separate. I may add that it has never been actually explained what sort of gold standard it is that the Government of India wish to recommend. Certainly it is not the gold standard of England; certainly it is not the standard of France, which is not a gold standard; nor is it the standard of America, which, though by decree a gold standard, in fact is not. In fact, you come again to the question of currency and legal tender.

12,754. Do you not consider that America has a gold standard?—America has by decree. It is *called* a gold standard; but, if I can pay my debts to an unlimited extent in silver, it certainly is not a gold standard.

12,755. How about France?—I have heard a great many people in England say that France has a gold standard; but I never heard a Frenchman say so. I remember that M. Say, the French Minister of Finance, who was president of the Conference of 1878, of which I had the honour to be a member, said to us: "It has been sometimes thought that we are tending "towards a gold standard; we are not doing anything "of the kind; if we are tending to anything different "from what we have now it is to the *double étalon*, "and we expect that that will be reached so soon as "the incubus of the German silver is removed from "us." That was M. Say's opinion; of course, it is only opinion after all, but it is the opinion of a man in a position to form a good one. Again, the law of France, there is no question, makes no doubt about it whatever; the law of 1803, still in force, says that the standard of that country is the unit of five grammes of silver—called a franc.

12,756. You see no similarity between the proposals of the Government of India and the state of things in France?—None at all. There is supposed to be, but there is none.

12,757. What country would you say has a pure gold standard?—This one.

12,758. And no other?—Canada.

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12,759. I am coming to Canada in a minute. What is the country that you think has a gold standard except England?—I know no other country than Canada. I have not in my mind, at this moment, any other country, except England, that has a pure gold standard.

12,760. What construction do you place on the statement that has been made in the course of this inquiry, that between 80 and 90 per cent. of the trade of India is with countries with a gold standard?—I know the statement has been made, but it is certainly very far from the fact, and I will say in a very few words why the statement cannot be accepted. You say 80 or 90 per cent.; however, to be accurate, we will take it as 80 per cent. But the trade of India here spoken of is the export trade. In my view we must look, not only at the export trade, but at the trade of India generally, and the export trade may be about 5 per cent. of the whole trade of India. Therefore, so far from 80 per cent. being with countries using a gold standard, it is more nearly 5 per cent.

12,761. Five per cent. of what?—Of the whole trade of India.

12,762. I am now speaking from memory, but I do not think I am very far wrong if I say that the total trade is now pretty nearly Rx. 200,000,000; and, of that, Rx. 108,000,000 are exports, and about Rx. 90,000,000 imports?—Yes.

12,763. Then where is your 5 per cent.?—I am speaking of the trade of India, you are speaking of the foreign trade of India.

12,764. That is what I am asking you about; we will come to the internal trade afterwards. Of course, I mean the foreign trade when I am talking of trade with other countries?—Trade with other countries, yes.

12,765. You say that is so?—No; I say I dare say it is so; that the trade with other countries is 80 per cent.

12,766. You said that almost the only country in the world that has a pure gold standard is Great Britain. Then, it is said that between 80 and 90 per cent. of the trade of India, which is not all with Great Britain, is with gold using countries?—Yes.

12,767. I take it the test there is that they have to pay practically on gold values?—Who have?

12,768. India has?—Very likely, just as we, if we are dealing with Venezuela, have to pay on silver value. It is quite true that, when they deal in England, they have to pay whatever will pay England.

12,769. In gold?—In gold.

12,770. Calculated on a gold basis?—I do not quite know what "calculated on a gold basis" means. What you really mean must be to pay in gold.

12,771. Let us put it in this way. Suppose that India buys from Lancashire or buys from America a certain quantity of cotton goods, on what basis will the price be calculated—on the gold value of those goods or not?—What they buy they must pay for in the money of the country from which they buy.

12,772. Then we come back to the point we started from. Out of every 100*l.* they must buy or sell nearly 90*l.* according to its gold value?—It only means that they must pay the price that the foreign nation asks, that is all. But in India itself or in whatever country it may be that deals with England, they have not to consider the gold value so much as what the gold in which they have to pay is calculated in their own currency and their own produce. That is what they have to consider.

12,773. Now you say that no country can have a gold standard without a gold currency. Will you take the case of Canada?—Canada has a gold currency.

12,774. We are told not?—No. What you were told was that there is not a gold piece to be seen in Canada, which is quite another matter. A gold currency is a currency under which debts must be discharged in gold if demanded. A gold currency does not mean that you must have in circulation two pieces of gold rubbing against one another in your pocket to wear out their edges, it means that the coins may be represented by notes, as they are in England; because you must remember the gold currency in England is a currency of metal, and of notes convertible into metal—of use for no other purpose than to save the wear and tear of the metal, except, of course, so far as regards fiduciary issues.

12,775. Have you read the evidence of Mr. Clouston, the manager of the Bank of Montreal?—I have.

12,776. At question 6778 you will see this: "At all "events you are not ignorant as to the possibility of "a country having a gold standard without a gold "currency?—I think it is the only proper currency in "the world, that is my impression. I would not say "without a gold currency, because a certain amount "is required or may be necessary to pay balances. "Our gold is only useful to us to pay our foreign "balances occasionally. In the meantime, until "exchanges can be adjusted, we keep American gold "against our foreign balances. There was a great "outcry for us this year to mint the gold that is "coming out from the Yukon in such large quantities, "supposed to be ten millions of dollars, but, as I "pointed out to the Government, the gold is really "no use to us till it passes out of the country giving "us credit balances in other countries to draw against. "The gold minted would only remain in the vaults "of the bank, so that it would be no possible good at "all." Is not that an absence of a gold currency?—Certainly not in my view. It is a confusion of the two senses of the word currency. Mr. Clouston is perfectly right; he says there is no gold circulating in the material form of coin in Canada, just as regarding the internal trade of England you may almost say there is no gold circulating in this country, because it is represented by cheques and by bank notes, all of them involving immediate return in gold. Mr. Clouston is perfectly right. I have no doubt that there is no such thing in Canada. I remember exactly what he says, and I remember also what we had before us about the monetary law of Canada at the Paris Conference of 1878.

12,777. How do you differentiate this from India; why cannot India have the same system? I understand you to say that a gold standard is impossible without a gold currency. Then I understand you to say that a gold currency does not mean the actual pieces of gold; it means something circulating whether paper or silver or anything else which represents gold?—Convertible on demand into gold.

12,778. Very well. Now what is the objection to that in India?—Because, so far as I know at present, there has been no such proposal by the Indian Government that they are to take the enormous responsibility of converting into gold on demand all the rupees existing in solution, you may call it, in possession of the population—all the rupees in hoard and in circulation.

12,779. Then your objection really comes to this, that the risk would be too great?—The risk of convertibility would be absolutely too great, and in that I think I am supported by a great many people, probably by the Indian Government themselves, and certainly by a great many of those who have given evidence before this Committee. Sir Robert Giffen, I remember, argued this point very strongly, but at questions 10,212 to 10,216 he reduces the whole thing to what I should call a *reductio ad absurdum* or rather a *reductio ad impossibile*; because he shows what the risks would really be and what the total amount of risk is that the Government would have to run—I do not mean in money, but the total amount of risk the Government would have to undertake.

12,780. I think he wound up by saying that, if convertibility could be assured, he would not object to it?—Yes, I think that is so; but I would add to his objections the consideration that, if the British Government were really to guarantee either the convertibility of the rupee or the Indian gold debt, it would surely involve the continual interference of the

British Parliament with the executive administration of Indian affairs.

12,781. Now is there any other objection that you have except the risk? What do you say about the hoarding? Do you think there is a large amount of gold hoarded in India?—I have not the least doubt of it, but I only take that from what others tell me. I am told, for instance, by Mr. Harrison, who is the only one, so far as I know, who has given a computation, not an opinion only, that there are 300 crores of uncoined silver in hoard.

12,782. At all events he is of opinion, and you are of opinion that there is a large amount of gold in hoard in India?—Gold?

12,783. Yes, I am talking of gold?—I was talking of convertibility, for which the Government itself needed to possess gold. I do not know anything about gold being hoarded, except that it has been computed by somebody or other that there are 300 millions sterling of it in hoard. As to this it may be well to bear in mind what was said by Sir David Barbour—there could not be a better judge—in his address to the Society of Arts, on the 28th of last April:—

"Some people said, if a gold standard were introduced, enormous quantities of gold would be brought out from hoards of private persons and used as a circulating medium. He wished to speak with consideration of his opponents, but, if anybody made a statement of that sort, in his opinion he was not merely incorrect, but a man whose opinion you had better avoid taking on anything in connection with the currency. If a silver standard were introduced into this country, would the people who had silver teapots and other articles of plate melt them down and throw them into the circulation? The thing was absurd. Of course, they did not know much about Indian ladies, who usually lived in the seclusion of the zenana, but he believed they had as much influence in families as the ladies in this country, which was saying a great deal, and, if an Indian went to his wife and told her that the Government had made gold a legal tender, that he proposed to melt down her gold bracelets, and put them into circulation, he did not think he would meet with a very favourable reception. What might be expected to happen and what would happen, when gold began to circulate as a portion of the Indian currency, would be that there would be a greater tendency to withdraw it and hoard it."

12,784. The evidence before us as near as we can tell is that there is Rx. 120,000,000 now in circulation—the silver currency in India represents that?—In circulation, I agree.

12,785. And nobody knows what the amount is that is hoarded?—Quite so, but you are speaking of silver now.

12,786. I am talking of silver. With reference to the silver currency, the opinion of Mr. Harrison and other competent persons is that the amount in circulation is about Rx. 120,000,000; then there are also the hoards and the ornaments?—Yes, I should say so, generally.

12,787. Taking the experience of the past famine and various other tests which have been applied by different authorities, they seem to have arrived at the conclusion that the amount of hoarded rupees has been exaggerated?—I am quite incapable of pronouncing upon that at all, but let me say that the testimony of Mr. Harrison gives some basis, I think. He has to take an unknown quantity, x, for the amount that originally was at any definite time in India; then he takes the import of the silver and the export, and the melting down into ornaments, and he puts the figure at 300 crores. Sir Antony MacDonnell says there is three times as much in coined silver as there is in uncoined; that is, that three-fourths of the whole quantity is in rupees. It makes a very enormous sum if Mr. Harrison and Sir Antony are both right. I cannot pronounce upon that, and I believe nobody can, for the reasons that you have given.

12,788–9. Before we leave this question, I want to ask you one other question. What differentiates England and India with respect to the convertibility of their silver currency? We have a silver currency here which is not convertible?—We have certain notes printed upon silver for a twentieth part of a sovereign, which are not convertible, and which are not legal tender.

12,790. Not legal tender beyond 40*s.*?—Well, that is not legal tender practically. Nobody ever pays 40*s.* in silver that I know of.

12,791. And yet for all practical purposes a shilling is the twentieth part of a sovereign?—It serves the purpose well; nobody cares what it is worth.

12,792. And there is no responsibility on the Government in respect of that silver currency?—None at all. You mean to say there is no responsibility for conversion?

12,793. Yes?—None at all.

12,794. The Government controls the amount that is in circulation?—The Government, you may say—it is the Bank of England.

12,795. The Master of the Mint, who is the Chancellor of the Exchequer, controls it; the Master of the Mint looks to the Bank of England to say what should be put into circulation, and that is done?—Yes.

12,796. That is merely machinery?—That is merely machinery.

12,797. The ultimate authority which settles the amount of the silver currency of this country is the Government of the day?—Yes, in a manner, and to this extent: a Government of a past day has settled the silver currency, but no Government has any real influence on the amount issued.

12,798. The Government of the day acts through the machinery of the Bank of England—or is advised, if you like, by the Bank of England; but, at any rate, nobody has a right to take a bar of silver to the Bank of England and have it coined?—Just so, as to the public right; but I think I had better inform the Committee as to what the practice with regard to our token currency really is. Whatever may be the theory, the fact is that the orders for its coinage, or for treating it when "worn," do not emanate from the Government, or from that member of it who is Master of the Mint. The Bank of England is the Administrator of the silver coinage, being guided solely by the demand, and having no need to ask permission of any one. If the needs of trade, shown by the applications of other bankers, require more silver than they have, the bank supplies them from existing stock in the banks; or, if there is none but garbled silver only, that is sent into the mint for recoinage and paid for by the mint authorities; or, if there is none at all, the bank sends a requisition to the Mint for new coin, the Mint buying the bar silver in the market, and the bank paying the face value of the coins supplied. Thus, the token coinage of England and Wales is in no sense a "managed" currency, as the Indian rupee coinage is since June 1893. It is really automatic, regulated by the wants of trade, but administered (as the gold coinage also is in practice) by the bank. As a matter of finance, the whole operation is for account of the Government, and the Exchequer makes the profit. Thus a large profit accrued to it in 1889, when Mr. Goschen caused the dockyard wages (when under 2*l.*) to be paid in silver. But the business followed the usual course—the dock authorities applied to their bankers; the bankers applied to the Bank of England; the Bank of England (as new coin was wanted) applied to the Mint; and the Mint supplied the coin. So also, when there was a scarcity of silver coin in the provinces, caused by the reluctance of the country bankers to pay the cost of transit from the bank, the Government (in May 1889) agreed to bear the charge, and instructed the bank accordingly. There has been redundance also—real redundance, not the so-called redundance of Indian dispatches—more silver being out than trade needed. When that was the case, as it could not be exported, it had to

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accumulate in the bank until, as above described, it could find its way out again. Thus in 1896–7, we held 2,000,000*l.*; and now, trade improving and using more, 1,600,000*l.* Let me correct two errors, one of which, at least, has been made before this Committee. There is no convertibility. We always do what we can to give gold coin for silver coin and silver coin for gold coin to applicants; but the public has no legal right to demand it, and the bank makes a charge of so much per 100*l.* for any large sum of silver paid in. It is altogether a mistake to say that our silver coins are saved from going to a discount by the issue being limited. Whereas, on the one hand, it is scarcely possible to issue a shilling more than the public at the moment needs, on the other hand, there is absolutely no limit to the issue so far as the public needs it. When it no longer needs it, and it becomes redundant by the falling off of trade, it is buried in the appropriate vault, as I have said before, and awaits resurrection. It is the limit of legal tender which is the safeguard, and obviously renders depreciation impossible.

12,799. Then, in England, we have a silver currency up to 40*s.*; and for all practical purposes of everyday life we have a gold standard? — And currency.

12,800. And a gold currency also. Now, would you just tell us where you draw the broad line of distinction between England and India with regard to that?—The silver currency of India is full legal tender, and practically the standard of the country. The English silver currency, which, as I say, are mere inconvertible notes, are not the standard of the country any more than the bank-note is the standard itself.

12,801. Then your point is the tender limit?—Yes, certainly unlimited legal tender makes it money; limited legal tender makes it a substitute for money.

12,802. Then the great bulk of the transactions in India—I think one-half of them—are in copper. I am talking of the internal trade?—Yes.

12,803. And there is a remaining very large proportion in silver?—Yes.

12,804. Except the foreign trade, there would be very few transactions in India of amounts requiring the use of gold?—Very few indeed, I should think.

12,805. Does that remove the difficulties from your mind as to a gold standard?—It seems to me to add to them.

12,806. Will you tell me how?—I fail to follow that. Because gold is not wanted and is not used, therefore, as I understand you to say, you think gold would be a good standard for India. I think quite the contrary.

12,807. You say that a gold currency is inseparable from a gold standard?—Certainly.

12,808. A gold currency would be wanted for a very small amount in India; at least I am putting that to you; I am not expressing my own opinion, I am putting that to you as a hypothesis?—I understand; but I should put the matter differently. In saying that a gold currency is inseparable from a gold standard, what I mean is that that which has not a gold currency is not a gold standard. That is quite a different proposition. I do not mean to say that when you have a gold standard—what you call a gold standard—that necessarily involves the use of gold in great quantities; but I say that it is not a gold standard, if a man can pay his debts in any quantity of silver. You might just as well call it a platinum standard, or anything else.

12,809. What standard is existing in India at this moment? You have not an unlimited coinage of silver?—I have given my explanation of that. There is no standard in India but a debased standard.

12,810. You think there is none?—It is debased. There is a currency which serves in a manner as the standard of India.

12,811. Now, let us come to the point as to the negotiations with the United States and France?—But first let me say that the real objection to the nominal gold standard, or to any gold standard, is the effect on the people.

12,812. The people of India?—Partly, and on the people of England in other respects.

12,813. Will you say what you have to say upon those points?—There is the matter of the mode of carrying out the gold standard, which has also to be considered. I have spoken very strongly about what I call a debased standard—debased in a different way from the debasement of diminishing the number of grains. The proposal that rupees should be melted down seems to me to be contrary to all monetary principles. When the money of a country is redundant—I mean when it is really redundant—not redundant in the sense of the despatch of Sir James Westland, but really redundant—the remedy for that is the export of that money in course of trade when the time comes. All along specie may be exported; but the ultimate result resolves itself into an export of money in payment of the balance of trade. Now, what the Government propose to do, if money is as they think redundant, is to melt down the rupee, which is a very different thing from the exporting of rupees. When you export rupees, and the tide turns, the rupees come back again. When the rupee is melted, and you have no open mint to which you can take them, the currency is permanently contracted, with the view, no doubt, in this instance, as they say, to bring in gold instead. If the gold is inconvenient, if the gold is not as convenient as the other, that is an interference with the natural flow of money to and fro, which seems to me to be very objectionable. The silver circulation, for example, necessary for the removal of crops, is diminished; and that would seem to be a very bad thing for the people. It would cause great dissatisfaction, perhaps ultimately disaffection, and that would be a very bad thing in any case. Further, it depresses the gold value of silver. If you have a quantity of coin taken away from the world and melted down and thrown on the market, it depresses the gold value of silver, and increases the economic advantage of silver standard competitors with India. Then, suppose the Government should acquire gold by loan, which is the proposal of the Indian Government, or by melting down rupees and selling the bullion, they necessarily must keep that locked up in the Treasury, I imagine, except so far as they want it to fill the void made by the movement of the rupee, if it serves to fill that void. Then, if they do that, they have not got it in the Treasury to serve towards convertibility, if that should be considered necessary. Then, again, private capital can only be attracted by the prospect of profits. Under a gold system traders know, and have said before this Committee, I suppose, —certainly they have said it outside—that India would be handicapped economically, and private capital, therefore, would not be attracted; whereas, as population increases, it is to be hoped that trade would increase and would want more circulation. I know that Lord Rothschild, Sir John Lubbock, and Mr. Lindsay, and others have given evidence against the Indian Government plan, and, on the other hand, Sir James Westland gave some very good reasons against Mr. Lindsay's plan.

12,814. What plan would you recommend?—I am coming to my plan.

12,815. (*Sir F. Mowatt.*) I understand you to adopt Sir James Westland's criticism on the Lindsay scheme?—Yes, generally; and I should like to say this about the Lindsay scheme. As a quondam governor of the Bank of England I know how that would work. I do not quite understand Mr. Lindsay's scheme. I imagined that I did, but different witnesses have given different interpretations of it. Mr. Lindsay's words are "open a current account with the Bank of "England." Now, to open a current account with the Bank of England would merely mean that the account of the Indian Council would be enhanced by five millions or whatever it might be, to which the Bank of England could make no objection whatever. But there would be no ear-marking—such a deposit

would stand in no different position from any other account that they now have with the bank, or any other account that I have or anybody else. They take their chance. But there is yet another suggestion, and that is that the Government of England should come to the rescue and should guarantee the convertibility, and Lord Farrer suggests that the Bank of England would be very willing to do that just as it really guarantees or provides for the bank note. To that I reply, Lord Farrer has never been a governor of the Bank of England or he would not suggest such a thing; it is absolutely impossible. Neither has he given real consideration to the matter of the Government taking such a risk. To guarantee that a certain commodity—for silver is a commodity in England—should be always taken in exchange for gold is a responsibility which I suspect the Government would not take. They would have in exchange for their gold only an accumulating mass of rupees, which they could not re-convert into gold *so as to supply an immediate demand*, nor at all, except by sending it to India, and awaiting a remittance of gold from the Indian Treasury—if it happened to be there. For what purpose would the silver serve? Neither the bank nor the guaranteeing Government can pay their debts with silver. Then again, if Lord Farrer is thinking of a deposit of gold bullion, of course the Bank of England would take a deposit of gold just the same as it would take a service of plate or anything else, and place it in its vaults, but that is exactly the same as if it were in Calcutta. It could by no possibility form part of our reserve.

12,816. (*Chairman.*) However, after all, we are a very long way off that?—Oh, yes.

12,817. If Parliament finally accepted any scheme the details could be easily adjusted?—Could be adjusted.

12,818. As I understand, you disapprove of the Government of India's proposals, especially on the ground of the mode in which they deal with what they call redundant currency?—Yes, on that and other grounds.

12,819. And you disapprove of Mr. Lindsay's proposals on the same ground as Sir James Westland does?—Chiefly. Partly that and partly because what you call the details——

12,820. The details would not work out?—So far are they from working out that they affect the principle.

12,821. Now will you proceed?—There is one point that has often been insisted upon and which you, Sir Henry, did in a manner insist upon, with regard to the supposed analogy between France and India in respect of the silver currency. In France they have what some people call a token currency, but which is not a token currency, of course—an inferior currency, I should call it—it is not a token, because a franc cannot be a token of a franc which is what the real monetary unit is; but the great difference between them is that India is a debtor country, and France is a creditor country. France does not need a balance to export. India does need a balance to export. Let me put it in this way:—Is India a creditor or a debtor country; that is to say, does the money value of her export, of whatever kind, to the rest of the world, exceed or fall short of her imports? Suppose, for the sake of simplicity, that her relations were only with England; are the commodities which she sends us greater or less in annual money value than the commodities and services which we send or have rendered to her? It is wholly immaterial to inquire what the commodities are which we send or what the services (represented by home charges) were and are. We send her yarns and metals (silver and iron and gold) and other things. It matters not for the present question what she does with them. She may coin her silver or use it as money uncoined, or she may make it into bangles or bury it in the earth. The money value of all together is the only thing that touches our question. Now it is of secondary importance to inquire whether the operations are wholly or only partly in trade operations. It is very useful to know the balance of trade, but it is the balance of indebtedness, as Mr. Goschen demonstrated long ago, with which we are here concerned, and that necessarily includes services and the debts incurred for them, as well as commodities. Thus, even though her export of commodities exceeded her imports by 10,000,000*l.* a year, yet India would be a debtor nation; for she owes and has to pay some 17,000,000*l.* for Government Home Charges, leaving her debtor for 7,000,000*l.* a year besides the interest and returns on private investment in India, which may be taken to be 7,000,000*l.* to 10,000,000*l.* per annum more. To show the actual surplus export of commodities I produce the following table:—

Year	Net Export of Commodities.	Average Rate of Council Bills.	Sterling.
	Rx.	*s.* *d.*	£
1873–74 - -	17,297,719	1 10½	16,000,000
1897–98 - -	10,618,894	1 3·407	6,858,035
1896–97 - -	19,733,091	1 2·451	11,839,848
1895–96 - -	32,289,810	1 1½	18,000,000
1894–95 - -	34,000,000	1 1	18,400,000
1893–94 - -	15,000,000	1 2½	9,000,000
1892–93 - -	30,000,000	1 3	18,750,000
1891–92 - -	27,000,000	—	18,890,000
1890–91 - -	8,500,000	1 6	6,375,000
1889–90 - -	19,000,000	1 4½	13,000,000
1888–89 - -	15,000,000	1 4½	10,250,000
			£131,362,883
	Average of 10 years -		£13,136,288

Against the average for the same period if home expenditure (chargeable to revenue) of 15,684,083*l.*

In the above table I have not taken into account enfaced rupee paper, which, as enfaced to England or re-enfaced to India, forms an addition to exports from India and imports into India respectively. Incorporating with the above these exports and imports, as shown in the following table, the average balance in favour of India is increased by R1,42,14,150.

ENFACED RUPEE PAPER.

Year.	Balance Re-enfaced to India = Imports into India.	Balance Enfaced to England = Exports from India.
	Rs.	Rs.
1888–89 - -	—	74,80,000
1889–90 - -	—	77,99,600
1890–91 - -	—	5,23,72,500
1891–92 - -	—	77,15,460
1892–93 - -	1,57,19,800	—
1893–94 - -	1,76,83,200	—
1894–95 - -	53,95,750	—
1895–96 - -	—	1,72,47,860
1896–97 - -	1,28,40,900	—
1897–98 - -	2,67,61,620	—
	7,84,01,270	9,26,15,420

12,822. Your point as to the supposed analogy between India and France is this: Suppose a system were introduced into India in some respects corresponding to the system which prevails in France, the difference between the two countries is that the one is a debtor country and the other is a creditor country?—Exactly. I should say generally that all managed schemes are bad. Anything that does not leave the currency of a country to work automatically on the standard metal of the country is unwholesome and ultimately bad for the country itself, whatever advantage it may give for the moment.

12,823. And, I suppose, in connection with that, you would share the opinion that has been expressed that the currency of a country should as far as possible

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be totally independent of the Government?—I can hardly say totally independent, when I know that we are acting under the law of 1844, and that no currency at all can be independent of the Government, because it must be the Government or the nation that has to choose at some time or other what the measure of value shall be; as, for example, in England the Government has said what the sovereign shall be; but the working of the currency should be independent.

12,824. That is the word I should have put in. The working of the currency should be independent of the Government?—Exactly.

12,825. Of course, the Government must legislate?—Certainly.

12,826. But the working of the currency should not be controlled by the Government?—Just so. And I may say this: the Act of 1844 limited the powers of the Bank of England. Before that, the Bank could issue any amount of notes on anything they pleased; the Act limited that to a certain amount. No doubt the Government must legislate, but I should put it that the daily working of the currency ought to be independent of the Government.

12,827. The Act of 1844 provides that the Bank of England shall not issue paper money unless it has something against it?—Yes, with the exception prescribed.

12,828. Except as to the Government debt?—Partly that, and partly, as to the fiduciary issue, on securities.

12,829. Now, have you any other objection to the proposal of a gold standard for India?—It would increase the injustice inflicted upon the natives by the depreciation of their uncoined silver hoards through the closing of the mints in 1893. A great deal has been said upon this point, and by people whose opinions ought to be considered. Lord Northbrook, for instance, whose evidence was very interesting indeed, said he thought that practically there was no injustice at all. One reason which has been given for that opinion was that the natives did not know it. I thought that a very bad reason. I remember a member of the then Government saying to me, in 1893, "Oh, they will never find it out"; and I said "You may depend upon it, some enemy of the British "Raj will be certain to tell them about it." I told this story in 1897 to a member of the present Government, and his answer was, "They *have* found it out." But, even if they had not, it is to my mind no sufficient argument to say that an injustice has not been done because it has not been found out. Louis XIV. used to say that he was *super grammaticam;* but the Indian Government is not *super arithmeticam.* If a man could take out of his hoards 180 grains of silver and at his own pleasure get a rupee for it, whereas he has now to take 258 grains, there can be no question but that he has suffered an injustice. But it has been urged on the other side that prices have fallen; I think that point has been advanced by Lord Farrer. Now, suppose a depositor in the Savings Bank here were told, "Prices have fallen enormously in England, "and therefore, instead of giving you the whole of "your capital, we will give you 60 per cent. of it"; that would be an injustice, and none the less an injustice because it might be argued that the depositor would not feel it. It is that sort of injustice that is inflicted on the natives of India, and, once that is brought clearly before them, it is inevitable that it must produce dissatisfaction, perhaps something worse. I do not know anything about India, but I am told that this matter has come before the natives. One of the witnesses before this Committee, Mr. Barclay, I think it was, gave evidence as to that, and showed that the native press had taken the matter up.

12,830. You think it would be unjust to the natives of India as depreciating the value of their hoards?—Certainly.

12,831. And you do not attach any importance to the statement that they are ignorant in the matter, or that the action of the Government has really very much increased the value of the rupee since 1893?—No. That is the only other thing I have to say on that matter. I do not see that the action of the Government has increased the value of the rupee. Prices have not altered very much in India. It has made a difference in the gold value of the rupee, but I do not see that that affects the common people in India except in the most indirect and distant way, and a way which they can never understand or appreciate. Then, it is said that the native princes have been compensated for the loss on their silver by the non-depreciation of rupee paper; but to establish this, let us suppose that their hoarding in rupee paper was equal to their hoarding of silver; and then it must be shown—and it has not been shown—that the gain by the arrest of *further* depreciation of, we will say, Rs.100 in paper, was sufficient to make up for the loss on 18,000 grains (weight of Rs.100) of silver. Then another thing has been said. It has been proposed to raise loans here in England, and it has been urged that that would be a heavy strain on the Bank of England. I do not think anything of that at all. The Bank of England will find anything you happen to want; but, at whose cost? If there be any great drain on the Bank of England, it must necessarily be at the cost of the discount other people have to pay, and, perhaps, of a check to their power of obtaining accommodation. *They* suffer if the Bank does not.

12,832. How about the payment of taxes by the people of India; their taxes are paid in rupees, and the taxes are increased or decreased according to the gold value of the rupee?—According to the gold value of the rupee, so far as regards the amount that has to be remitted to England to pay debt.

12,833. A large number of witnesses say that it would be necessary, if the rupee went down to its bullion value, to increase the taxation of India, and that it would not be safe either politically or on other grounds to increase the taxation of India?—You are much better judges of that than I can possibly be.

12,834. But I should like to hear what you think of that argument?—I think it bases itself, to begin with, on a certainty which does not exist of the amount of the fall that there would be in the rupee. It takes no account of what would happen if the mints were opened—the good that would result, to be set against any evil that would come. And, as to the increase of taxation, you have, as I have already said, taxed the people without their knowing it, and you would have to tax them with their knowing it, where you could.

12,835. Have you read Sir Anthony MacDonnell's evidence?—Yes.

12,836. At Question 5781 he says this: "You think that, if the rate of exchange were lowered to the bullion value of the rupee, that would involve such discontent as would amount to a grave political danger?—I do not think it would be possible. You could not do it without increasing the army and the police, and taking compulsory measures." Do you agree with that?—I think that argument fails, inasmuch as Sir Antony treats as a matter of certainty the extent of the fall in the bullion value of the rupee.

12,837. I do not know what the Indian Government are going to do; we shall have their budget in a few days; but at all events, owing to the work of the system of 1893, which has kept up exchange to 1*s.* 4*d.*, there will probably be so large a surplus that, if they thought it wise, it would be possible for the Government of India to make a considerable reduction in taxation?—It would be a good thing; but I remember that, when the rupee went down even to 1*s.* 1*d.*, the Government still had a surplus.

12,838. You desire to say something with reference to the question that has been raised as to the amount of gold available?—The Committee have heard a great deal about the unlimited supplies of gold. On this subject I would like to refer to a paper communicated to the Manchester Literary and Philosophical Society last year by Professor Suess, of Vienna, who is the greatest authority on the geological distribution of the precious metals. I have endeavoured

to condense the paper, but it is so absolutely full of matter germane to this enquiry, that I have thought it better to put it in *in extenso* as an Appendix.

12,839. Now will you tell us what you have to say as to the closing in 1897 of the negotiations with the Governments of the United States and France?—I regret very much that the negotiations of 1897 were summarily closed. I had a great deal to do with the *pourparlers* in the matter. Sir Michael Hicks-Beach asked the opinion of the Governors of the Bank and myself with two other ex-Governors. I thought that the negotiations should have been kept on foot. I do not say that the negotiations should have resulted in the immediate adoption of those measures, for two reasons. One was the French suggestion of a sort of Sherman Act for England, which I thought would be a very foolish and futile thing; that would have to be rejected. The other was that one could not fail to appreciate the enormous wrench which would take place if the ratio were suddenly moved up to its old position of 15½ to 1. I had no doubt that that would be a very serious difficulty, though, when that difficulty was once got over, when the battle that it would cause was over, and the wounds cured, it would be in some measure as it was before 1873. I may mention here that a man who was one of our principal China merchants wrote to me and said: "I hope that whatever happens they will not take 15½ to 1; it will be a most dreadful thing; it will subject us to all manner of losses on existing contracts"; and he gave me his reasons. I was going to answer this correspondent, and point out that it was not at all for me to say what the decision would be, when I had another letter from him, saying, "I confirm all I said before, but still I would like even the 15½ to 1; I prefer to incur the loss for the sake of the settlement; the settlement would be a bad settlement, but still it would be a settlement." That was his view. Then, one of the ministers wrote to me and said, "We feel sure that no modifications of the proposals would be admitted, and therefore we have not re-opened the matter; we are certain it could not be done." I at that moment felt sure that the negotiations would not have been in vain; but the mischief had been accomplished, the edict had gone forth, and so it was settled. The proposal that has been made for renewing those negotiations has been approved by anticipation, and in general terms, by a despatch of the Indian Government, dated the 16th September, 1897. They say on page 13 of the correspondence:—

"It seems to us that the difficulty of making the arrangement effective will be immensely increased by the adoption of a ratio differing so widely from the present market ratio. Indeed, even if it could be maintained successfully, we should object to that ratio in the interests of India, and we recommend that your Lordship should, on behalf of India, decline to participate in, or do anything to encourage, the formation of a union based on that ratio."

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"In any case, we are of opinion that the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16*d.* the rupee."

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"For these reasons therefore, in addition to those set forth in the earlier portion of this despatch, we recommend that the reply to the request of the Governments of France and the United States should be in the negative. We presume that a union based upon a ratio low enough to suit our interests would be unacceptable to France and the United States."

12,840. You think the decision arrived at in 1897 in reference to those proposals was an unwise one?—The refusal of the proposals in their then form was inevitable, but it is a misfortune that the negotiations were not continued; the negotiations ought to have been continued.

12,841. Have you any reason to think that there is any probability of those negotiations being reopened?—Yes, I want here to refer to the Report of the Gold and Silver Commission, which stated unanimously in Part I., Sections 192 and 193, as follows:—

"Sec. 192.—These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?

"Now, undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the Bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and the use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, 15½ to 1.

"Sec. 193.—Nor does it appear to us, *à priori*, unreasonable to suppose that the existence in the Latin Union of a Bimetallic system with a ratio of 15½ to 1 fixed between the two metals, should have been capable of keeping the market price of silver steady at, approximately, that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries, is, we think, fallacious.

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of 15½ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser, and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal ratio, and would tend to keep the market steady at about that point."

And in Part II. of the same Report (Sections 107 and 136), signed by Lord Farrer and five other members of the Committee:—

"Par. 107.—We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to were to accept and strictly adhere to Bimetallism, at the suggested (that is the market) ratio. We think that if, in all these countries, gold and silver could be freely coined, and thus become exchangeable against commodities at a fixed ratio, the market value of silver, as measured by gold, would conform to that ratio, and not vary to any material extent.

"We need not enter upon a detailed explanation of our reasons for entertaining this view, since they will be gathered from what we have already stated when discussing the causes of the divergence in the relative value of the two metals, and will be seen to result, in our judgment, as well from *à priori* reasoning as from the experience of the last half century."

"Par. 136.—It is worthy of consideration whether foreign Governments might not be approached with a view to ascertain whether they would open their mints to a greater extent than at present to the coinage of silver, for a given term of years, on an undertaking from India that she would not close her mints during

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the same period. In order to assist such an arrangement, we think that part of the bullion in the Issue Department of the Bank of England might be held in silver, as permitted by the Bank Act of 1844.

"We are aware that a similar suggestion, made in 1881, was not acccpted, but the possibility that India may follow the example of the Latin Union in closing her mints, may render the countries forming that combination more disposed to entertain the proposal."

What they say as to the effect of concurrent mintage of gold and silver has never been seriously contested, unless, indeed, an opposite view has been advanced before this Committee; you may have had some rebutting evidence.

12,842. You, I think, hold that sufficient time has not yet elapsed to afford a satisfactory test of the success of the experiment begun in 1893?—I do not consider that the circumstances attending the experiment yet justify a definite conclusion as to its success, or justify the inauguration of a fresh experiment with a totally new system. The principal advantage of abstaining from a fresh experiment would be that time would thus be given for the British Government to ascertain by negotiations with the United States Government the possibility of arrangements being made under which the Indian mints could be re-opened to silver under circumstances which the Government of India have, indicated as safe and satisfactory.

12,843. You appear rather to favour a fixed par of exchange of 1*s.* 4*d.* if it could be effected on your lines?—For the present stress; I mean, I think that is what is practicable.

12,844. That is about 22½ to 1?—It is 22 to 1. One of the chief reasons why I should prefer to have the matter settled now, is that I think there is really a possibility that the American Government some of these days—not the present Government, but the Government of some future day—may take the bit between their teeth and re-enact their old ratio; and I think taking 16 to 1 (whether it be 15½ or 16 is of no importance) would be a fearful thing for the moment. Of course, if they did that, they would do it irrespective of the interests of India or England or anything else; they would, as I have put it, be simply taking the bit between their teeth. For this reason I very much desire that the thing should be settled by negotiation in which we should have a voice. I think also that France, as well as the United States, should come in, but that is rather a matter for the consideration of the United States. The negotiation before was conducted with both nations, the United States taking the initiative. The negotiation might be opened up with them alone. I have reason to believe that the present United States Government would not do it without consultation, but I do think they would be disposed to adopt it.

12,845. To adopt the 22 to 1, do you mean?—Yes, I believe they would, and I will give you my reason presently for saying that. When Colonel Hay was here as ambassador, I had a good deal of conversation with him on the subject, and he was thoroughly acquainted with my view, namely, that although 22 to 1 did not really represent the relative value counting by stocks of gold and silver, inasmuch as the stock of silver would be very much smaller than that of gold at such a ratio as that, yet I thought it was good, having in view the object of the Indian Government to maintain a ratio of 1*s.* 4*d.*, which would enable them to pay their way. I thought it was very desirable to meet that point, so I talked with Colonel Hay about it, and he seemed to be favourably disposed to my suggestions. But he said "I am an out-going ambassador, and of course I have no power." I pointed out that he would have considerable influence when he got back to America, and assumed office as Secretary of State, and I asked him to communicate with me. He waited for some time after having gone back; he waited, I think, intentionally, till after the Congressional elections, and then he wrote me this letter:—

"Department of State, Washington,
November 25th, 1898.

My dear Lord Aldenham—

I received in due time your first letter and the very full and satisfactory memorandum by which it was accompanied, and I have since received your kind letter of the 9th November, inquiring how far you will be justified in expressing the sentiments of this Government, in the evidence which you contemplate giving before the Parliamentary Committee.

I acknowledge myself much at fault in having so long delayed an answer to your inquiries, but I think you would pardon me if you knew how difficult it was to speak definitely upon such a matter. Our Cabinet, like your own, is considerably divided in opinion upon the question of practical bimetallism, and, while it is true that neither the President nor a majority of my colleagues have in the least changed or modified the views which they held last year, in regard to the great desirability of an international agreement on the subject, they all consider that it would not be expedient for the Government of the United States to re-open the subject at present, in view of the character of the answer which was given to the Bimetallic Commission by the British Ministry in October of last year. They would not be inclined now, any more than they were last year, to take any decisive steps without full consultation with some at least of the more important Governments on the Continent. The question of ratio is one which this Government is open to consider."—He writes this in the knowledge that I had told him that the Indian Government desired a gold value for the rupee of 1*s.* 4*d.*; this would correspond to a ratio 22 to 1.—"We have no cause to suppose that the French Government is not equally in a position to consider any reasonable suggestions respecting the parity between gold and silver, but in the present aspect of affairs it is not thought advisable for the Government of the United States to put forth, either officially or by any private suggestion, any definite propositions to the Government of England in regard to bimetallism. I am afraid this will not be entirely satisfactory to you, and I regret not being able to answer your kind enquiries more definitely. With the most agreeable recollections of my day at Aldenham, and with many thanks for all your kindness,

I am, dear Lord Aldenham
Faithfully yours,
JOHN HAY.

12,846. Is that a private letter?—I wrote to Colonel Hay as follows:—

Aldenham House,
near Elstree, Herts,
February 3, 1899.

Dear Colonel Hay—

I expect to migrate to London (St. Dunstan's, Regent's Park) on the 8th, and to be called before the Indian Currency Committee early in March, when I hope to lay before them the possibilities of joint action on the silver question.

In view of a suggestion in one of my former letters to you that I should not communicate the letter which you wrote to me on the 25th November last otherwise than privately to the Committee, I should not have proposed now that it should be given openly in my evidence, and consequently published in the Blue Book for the information of Parliament and the British public.

But, inasmuch as your said letter to me was not marked "Private," it occurs to me that you may not be at all averse to its being published; as you may probably think, as I do, that it is of very great importance to a happy solution of the question that our Government and people should know, as clearly as you tell me in that letter, that the United States cannot now take the initiative, after the adverse answer given to the Wolcott Mission, yet that the sentiments of the President and of the majority of the Cabinet remained unaltered as to the main object to be attained; and that

your Government would be prepared to discuss the question of ratio in the direction of adopting a lower relative value for silver, if proposals for such discussion should come from this side.

To this I think it very desirable that I should be enabled to speak clearly and openly, and not merely to the ears of the Committee, with a view of showing our people that the objects of commerce generally, and of the Indian Exchequer in particular, would be better promoted by an agreement with the United States than by any of the nostrums put before them.

Of course I shall be strictly guided by your wishes in the matter, but I am inclined to think that your not marking your letter "Private" showed that you wished me to use my own discretion, and be guided by circumstances, as to how and to what extent I should use your letter.

May I ask you to give as speedy an answer as you conveniently can; because I shall have to study my evidence beforehand, and may frame some part of it differently according as your wish may be for or against the use of your letter without restriction.

Believe me, always,
Sincerely yours,
(Signed) ALDENHAM.

In reply to that communication I received the following letter:—

"Department of State, Washington,
February 16th 1899.

"Dear Lord Aldenham—

"I HAVE just received your kind letter of the 3rd.

"My letter of the 25th of November was intended as a private communication, but I have no objection to your making any use of it which you may think expedient.

I am, with best wishes,
Faithfully Yours,
JOHN HAY."

The opinions that I have given here are very prevalent among all mercantile men. All Manchester people, monometallist, bimetallist, and whatever "ist" it may be, they have all taken that view. I had an opportunity yesterday of speaking to Mr. J. Herbert Tritton, a banker of very great eminence. He said he would let me know what he thought about the matter, and he has written me a statement of what he does think. It is not long, and I think it is desirable that it should be in the possession of the Committee, because he is a man of very considerable experience in Lombard Street—which (as is sometimes said) is the City. This is what he says: "The question put to me to-day opens up very "large issues, and a well considered answer is "impossible in the time at my disposal. Writing "as a convinced monometallist, the metal selected "for the standard in any particular country "being so far as the principle is concerned "immaterial, I have looked upon the closing of "the Indian mints as theoretically indefensible, "and the more to be regretted (however great "the cogency of the arguments in its favour at "the time) that it destroyed the only pure mono-"metallic system other than that of this country "at a time when the maintenance of the principle "was of the greatest importance, and this largely "at the instance of the upholders of the monometallic "cause in this country. I am aware of course that the "step was taken partly from a sense of apprehension of "possible evils connected with the exchange, partly as "a transitional measure in view of a gold standard. I "may be wrong, but I fail to see how a gold standard "could be introduced or maintained in India at present "by any means which are reasonably practicable. I "much fear the present regulated and debased "currency (bad as it is) being replaced by a worse "*régime*—viz. a bastard bimetallism. Rather than "go from bad to worse in this way I would extend "the experimental and transitional period, with due "regard to the need from time to time of expansion "in the volume of rupees in circulation. It may be "that the international situation will undergo a change "ere long—the United States and France may find "it necessary to their own interests to adopt a "different ratio, even at the cost of calling in and "recoining their silver dollars and 5-franc pieces. If "their new ratio coincided with the rupee at 1*s.* 4*d.* "the difficulties on all sides would be materially "diminished. The United States and French proposals "were, I thought, rightly rejected in October 1897, but, "if hereafter the only way to re-establish a monome-"tallic standard in India, pure and simple, appeared "to be that this country should make approaches to "other countries concerning their monetary systems, "equally bad and reprehensible at present, as I "believe, from both the bimetallic and monometallic "point of view, I should hesitate to criticise too "closely the initial means which might be taken "towards the adoption of systems more nearly "approaching sound theory and practice than do "those afflicting at present the peoples of the Latin "Union, the United States and India."

12,847. Now, with reference to the par of exchange; do you or do you not think it desirable to have a stable par of exchange?—Absolutely necessary, for commerce between gold and silver using countries.

12,848. Especially between India and Great Britain?—Between India and Great Britain, but important to India especially; really it concerns everything, but for the purposes of this Committee I should say especially to India.

12,849. Do you consider that the action of the Government in 1893, and the system which is now in force has secured a stable par of exchange?—No, certainly not.

12,850. Has it not kept exchange at 1*s.* 4*d.*?—It has not kept exchange at 1*s.* 4*d.*; it has arrived at 1*s.* 4*d.*, which is a very different thing.

12,851. It seems to remain there pretty well now?—Yes; circumstances have been in its favour.

12,852. We have had both famine and prosperity; we have had the two extremes?—Yes, but your exports have been favourable as compared with your imports. Now the imports are very greatly increasing—they naturally would be—and it is the balance of export and import which will determine the question for you. I do not say that 1*s.* 4*d.* has not been reached.

12,853. Therefore, you do not think that the present system may continue?—If you mean the system of closed mints, I think it ought not to continue, except so far as to allow the Government to satisfy yourselves of the experiment before they bring in their undecided and undefined experiment of a gold standard. I say undefined, because nobody has as yet succeeded in defining it.

12,854. Do you consider that the proper policy to pursue now is to continue the experiment a little longer?—That is my opinion.

12,855. (*Lord Balfour of Burleigh.*) Do I understand that you endorse the views expressed by Mr. Tritton in the paper you have just read?—Yes, generally.

12,856. But he says he is a monometallist?—I do not care about that, because, monometallist and bimetallist, we are all agreed on this point.

12,857. (*Chairman.*) I take it that the opinion you have propounded to us this morning, you give not as a monometallist or a bimetallist, but as founded on financial grounds outside that controversy altogether?—Oh yes.

12,858. (*Lord Balfour of Burleigh.*) This gentleman differs from you in respect of the proposals of France and the United States being rightly rejected?—I said it was a great pity that they were so prematurely rejected without an attempt to bring about a modification.

12,859. Mr. Tritton says here "The United States "and French proposals were, I thought, rightly "rejected that year"?—That is what I also said. I said the 15½ to 1 was no doubt attended with some risk, and that it was no wonder that even on that score it was not accepted, but that the proposal of the

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French Government that we should buy ten millions worth of silver made its acceptance absolutely impossible.

12,860. As I understand it, you condemned the Government of which I have the honour to be a member for closing the negotiations in 1897?—Yes.

12,861. But you are aware that the French Government made it a *sine quâ non* that, if there was to be any ratio established, it was to be 15½ to 1, and they would take nothing else?—That was, I believe, the case then. I have only the printed correspondence to judge by; but I take it from you that it was a *sine quâ non*.

12,862. If so, if the French Government put it to us that they would under no circumstances take any ratio but 15½ to 1, what honest course could the Government take except to close the negotiations?—We know now that a modification is possible, if it was not then.

12,863. We could only act on the information we had at the time. However, I only put this to you because, if you had been doubtful about it all, I would have quoted you passages to show that that was the case. I think we may assume that it was the case that at that time the French Government took up the position that they would not take part in establishing any ratio except 15½ to 1?—I think that is so, but the negotiation was initiated by the United States, who had *not* made that peremptory condition, and it was quite competent for the Government to say "we will negotiate with you." As a matter of fact, I knew at the time that the United States would have negotiated on the subject and you might have left them to settle matters with the French.

12,864. You of course may have known things that were not within the knowledge of Her Majesty's Government, but, assuming that it was the information before us that the French Government would deal with no ratio except 15½ to 1, I repeat my question—what other course could the Government as honest men take except to close the negotiations, and say that that was not permissible?—As you had determined that 15½ to 1 was inadmissible, of course you could do no other than say so; but I do not see that it followed that you must "close the negotiations." We must go back a little and remember that the Government of which you are a member had expressed no opinion at all at that time about the 15½ to 1 except a tentative opinion; on the contrary, the general tendency was to say as I think Mr. Balfour said in the House:—We will do this that and the other, we will open the Indian Mints, for instance, and we are willing to accept these negotiations or we will be leniently inclined to these negotiations. I think it was quite natural that the United States should think that the Government were so inclined. I believe it was not on the question of 15½ to 1 only that the negotiation was interrupted. That was an objection raised by India; but there was also the purchase of 10 millions of silver per annum, which, irrespective of India, would have made it impossible to accept the proposal as it stood.

12,865. You used an expression which I understood to condemn very specially the proposal of the Government of India to melt down a certain number of rupees. I understand (perhaps I was wrong, and if so you will correct me at once) that you thought there was an additional wrongdoing, an additional fault in the melting down of rupees?—Yes.

12,866. You said the natural thing would have been that, when it was necessary, rupees would have been exported?—Yes; not, of course, an exportation undertaken or managed by the Government.

12,867. I want you to explain what difference it would make to the people inside India who wanted rupees whether the rupees, assuming they were redundant, were exported or hoarded or melted down?—It would make the greatest difference in the world, because real redundancy—not redundancy such as is imagined by the Indian Government, but real redundancy—corrects itself. When you get a redundant money in the country, I mean money that is more than is necessary for the actual working of the trade of the country, the result is found in a rise of prices in the country. The effect of a rise of prices in the country is that imports increase, because people send other goods from foreign countries in order to take advantage of the increased prices. When that has happened for a sufficient time the tide turns; that is to say for those imports; those imports have to be paid for, and the balance of trade turns the other way, and the money has to be sent back. Now, whether it is melted or whether it comes in the form of rupees matters not one iota if the mints are open and you can turn the silver into the coin of the country that is useful for the country.

12,868. I follow that, but I understood you to indicate that the mere fact that the rupees were melted and not exported would at the moment accentuate the difficulties of the people on account of increasing the stringency?—So it probably would, because the Indian Government, as it seems to me, start from a wholly wrong view of redundancy. Redundancy is discovered by the people themselves in the increase of prices; but the whole gist of Sir James Westland's despatch is that redundancy means impossibility to keep up exchange at 1*s.* 4*d.*, which is not the point at all. That is redundancy from the point of the Finance Minister of India, namely, redundancy which prevents his rupee continuing at a value different from its real value.

12,869. The particular narrow point that I was on I will put in this way. The difference to your mind between melting and exporting rupees is simply the difficulty in replacing when the demand comes for them to be replaced?—It seems to me a most vicious action to withdraw, in that arbitrary manner, currency from the people—not the "difficulty" but the "impossibility of replacing." But it is not merely that: it is the arbitrary withdrawal by the Government, acting on their own superior authority, of the circulation of the country, judging the matter by their own standard and not by the standard of the needs of trade—to attempt, as the Government does, to force on the people on their own most imperfect judgment—on their own judgment, which they have no real power of forming—that the coinage of the country is redundant. As all authorities have written, and as historically has always been shown, that can only be properly determined by the course of trade. If it is done in the other way it is grandmotherly legislation—to use a phrase that very frequently suggests itself nowadays, and usually recoils upon the legislator.

12,870. (*Sir F. Mowatt.*) In order that I may exactly understand your Lordship's views, let me ask you this: I think you said that, pending the possibility of an international arrangement, you consider that the present experiment should not be disturbed?—I do not want a new experiment put on the top of it.

12,871. That would contemplate, would it not, that, pending such an international agreement, the existing means of keeping the rupee at the rate of 1*s.* 4*d.* should be continued—that exactly the same state of things as is going on now should be allowed to continue?—I think it is very bad, but still I think that, for the same class of reasons as I objected to the 15½ to 1 it would be objectionable to go straight back to the opening of the mints, unless you had some means of breaking the fall. I refer to such means as Sir John Lubbock has pointed out—the seignorage and import duty, each of which has its own defects and each of which has its own merits.

12,872. But I take it from you that, pending some international arrangements of, say, 22 to 1 or thereabouts, you consider it would be wise to maintain the existing state of things?—Almost necessarily, till the negotiation is concluded. If the Government does not negotiate, their only wise course would be to re-open the mints as speedily as may be, devising the best means they can for meeting or mitigating the dangers that might result.

12,873. (*Mr. Campbell.*) You said you would like France to come into the suggested international arrangement?—Certainly, and anybody else.

12,874. Have you any reason to believe that they would be open to entertain such a proposal?—I know that, whereas they were indisposed, there is now a turn of the tide in that respect, they are certainly more willing to entertain the contemplation of such a thing. As you will see from Colonel Hay's letter, he also takes that view.

12,875. But you do not consider their consent essential to an agreement of that kind?—I do not.

12,876. You think that America and India together would from a broad enough basis?—I should say America alone, the Indian Mints being opened to silver. I do not say America and India together, because it would involve putting India upon a bimetallic system, which I do not desire. What I mean is that the United States could do it alone, because France for eighty years almost alone maintained the ratio of 15½ to 1, without a check, and with not the slightest difference in the world, aided one may say—though the aid was not very great—towards the end of the time (it was really nearly a hundred years) by the other nations; I cannot say when they began to take the same view or adopt the same ratio. I remember when Greece and Switzerland were on no such ratio. I say that, if France could maintain it for that time, the United States could maintain it quite as well now. The members of the Gold and Silver Commission expressly said that what would enable two or three or four nations to maintain that ratio depended on their population and commerce. Now, the population of France was then somewhere about 32 or 33 millions; the population of the United States is said to be some 75 millons. The population of the whole Latin Union was 75 millions. So that the United States have the same population that those other countries together had. And then we have to add that it is not population only, but commerce; indeed when you talk of commerce you must include population, because, if you have no population to produce exports and no population to consume imports, there can be no foreign commerce. Now, the commerce of the United States, internal and external, is very much superior to that of France when France was able to maintain the 15½ to 1. Therefore, I say I feel no doubt in my own mind that, as France maintained a much more difficult ratio, that of 15½ to 1, the United States would have no difficulty in maintaining 22 to 1. But for political reasons, and prudential reasons too, they say we must consult with other nations.

12,877. America would then be bimetallic, on a ratio of 22 to 1, while India's currency would be mono-metallic silver?—Yes, exactly as it was before.

12,878. And both countries would be bound to coin whatever silver was tendered to them for coinage?—Yes.

12,879. Taking silver at its present price, about 27*d.* or 28*d.* per ounce, to raise its value to 42*d.*, which is about the equivalent of 22 to 1, would be to add nearly fifty per cent. to its sterling value?—I suppose it would; I have not calculated it.

12,880. The world's production of silver in 1897 is returned at 183,000,000 ounces, worth at the present price about 21 millions sterling?—Yes.

12,881. Then the change in price from 27*d.* or 28*d.* to 42*d.* would at once raise its value from 21 millions to 31½ millions?—Yes.

12,882. Who would absorb this surplus?—It would be absorbed in commerce; the additional *value*, that is. You must remember this: all the silver that is produced is used. There are no stocks anywhere.

12,883. I mean, who would absorb this additional value?—Those people who needed the silver.

12,884. I do not know whether you are aware of the extent to which India took silver before the mints were closed as compared with the extent to which she takes silver now?—I have not got that at my fingers' ends.

12,885. The difference is small. She takes about 3 millions' sterling worth less now than she did before the mints were closed?—In sterling value?

12,886. Yes; so that if she were to go back to her old consumption India would only absorb about three millions of the surplus?—Yes, that is the difference; and she would take just what she did before, unless anything had happened or did happen to increase the trade of India.

12,887. Then as regards the other silver-using countries, what do you think would be the effect of a rise of 50 per cent. in the price of silver on the demand for these countries?—I do not think it makes any difference at all. The difference in the value, you may call it, of gold, makes no difference in the quantity of gold that comes to this country or is used. What would happen probably would be, I should say, a slight increase of prices; spread over so large an area it would be but a slight increase.

12,888. You mean in silver prices?—No, an increase in silver prices of commodities; but it could not be very great, because there has not been that great fall.

12,889. But would not a rise in the sterling price of silver to 42*d.* mean in silver-using countries a fall in silver prices?—In the gold price of silver, but not in the value of commodities, which is the real thing we have to consider.

12,890. If silver rose from 28*d.* to 42*d.*, would not the result be that prices of commodities in silver-using countries would fall?—It has not been the consequence that they have risen materially when silver fell, as measured in gold. I should say it had very little to do with it; because what does it signify to the owner of silver in the interior of India whether the price in cowries or the price in gold is different to what it was?

12,891. As regards the production of silver, what would be the effect on that of a rise in price of 50 per cent?—I think I may answer that pretty clearly. It would bring into use, or rather into production, all those (if any) mines producing recalcitrant ores which require a greater expense to bring into use than the old price would allow; but no man in the world leaves his silver lying idle in his mines when he can get ½*d.* an ounce profit on it. I believe those who are interested in silver or gold get from their mines all they can in all cases, till, and even after, it shows a loss, because they always say "next year things will be better, there will be better production."

12,892. But do you not think a rise of 50 per cent. in the value would stimulate the production?—It does with all perishable and consumable commodities, commodities that can be produced at will; but I do not think that is the case with the precious metals.

12,893. Have you formed any idea as to the extent to which, with the American mints open to silver, America might be called upon to take and coin silver?—I assume you are taking 22 to 1. I do not think she would be called upon to take any quantity. France was not flooded with silver (though her mint was over-worked), even in 1873, for she coined less in that year than in several previous years. All the silver that was produced almost came to Europe, except what the Americans kept back for their own purposes. Many people say, "Where is the demand—who will want any more silver?" Nobody, perhaps; admit that nobody wants any more silver; yet if you had a bar of silver sent to you, and you found that France, for example, would pay 15½ to 1—that France would give you 200 francs in account for your kilogramme of silver, you would never sell your kilogramme for less than that. Why should you? And the same, whatever the ratio.

12,894. During the time that the Sherman Act was in operation, and when silver was, latterly, at all events, if anything under 42*d.* an ounce, in order to keep silver falling still further, was it not the case that America had to take 54 million ounces annually?—Yes; she bought them at the London price, but it

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was in hopes not only to save silver from falling but to establish purity.

12,895. Do you not think that, if you put silver up to 42*d.*, you might practically revert to the conditions which prevailed then, and that, in order to prevent silver falling below 42*d.*, America might again have to take something like 54 million ounces annually?—I should think not; I do not see it at all. If America wanted more silver for her coinage or any other purpose, she would have it. If she did not want it, she would not have it. But, whenever the demand for silver arose, whether in China or India or elsewhere, for manufacturing purposes or any other purpose whatever, there the American ratio must necessarily place a minimum on the price in the market.

12,896. But is it so much a question of what America would want in regard to silver currency, as of what people might send her? She would be bound to take whatever is offered to her?—So was France.

12,897. Whatever silver America coined under that regulation would remain with her in currency?—It would remain with her unless and until there was any demand externally.

12,898. If there was a demand externally would it not be her gold which would go?—It would depend on what the price of silver was elsewhere.

12,899. But who would take her silver? The mints of Europe are shut; there is only India and China?—Well, *only* India and China! That is true. I do not think it is necessary to go very much farther into that. I hold that, if you can get a definite sum per ounce anywhere, you will not take less; any more than when you can get 3*l.* 17*s.* 10½*d.* for your ounce of gold you will anywhere take less.

12,900. Therefore, if, with the competition of the Council Bills, India would not pay 42*d.* per ounce for silver, the silver would be sent to the States?—The silver would follow where the price of silver leads. Then I was going to mention this. During the time from 1785 to 1876, France never was overburdened with silver. Owing to the difference of ratio there was a change between silver and gold, and another change back again; but she never got her prices of commodities raised (which is the only test) by too great abundance.

12,901. Would you admit that during the operation of the Sherman Act, there were any apprehensions of America losing her gold standard and going on to silver if the Sherman Act had been continued?—There were plenty of apprehensions; there were always people who said that she never had what I call a gold standard; but still, there was an apprehension that she might lose the gold she had, and she was losing some of it, no doubt. In France, in 1853, there were serious "apprehensions" that all the silver would go away, and M. Chevalier proposed accordingly that gold should be demonetised.

12,902. If a similar condition were to come again, and America had to take whatever silver was offered to her, and to absorb as much as under the Sherman Act, do you not think the result would be that gold would go to a premium in America?—I do not see why it should, unless it were necessary to pay American debts (which you will remember are greatly diminishing), in some metal or another; then, of course, she must send a metal that will be accepted by other countries; but it could not happen unless the balance of trade was, and continued, against her. This last year the balance in her favour was 120,000,000*l.*

12,903. Suppose that gold did go to a premium, that would only be another expression for depreciated silver?—You might call it so, but I do not think it would be accurate. It is all guided by prices of commodities, the whole thing. I do not care for depreciation of silver or for appreciation of gold in silver, excepting so far as it affects commodities generally. Appreciation of gold is a depreciation of commodities, of course, we know that, and depreciation of silver is an appreciation of commodities.

12,904. If gold were to appreciate and you did get a premium on gold in America, that would enable you to the extent of that premium to buy silver cheaper?—I doubt that; I am not quite sure of that. The premium would be a charge on the export of gold, and would have little or no effect on internal prices of silver. As to the supposed flooding of the United States with silver, the Committee must not forget that if any silver were sent thither at the ratio of 22 to 1, it would have, as money, 37·6 per cent. (the difference between 16 to 1 and 22 to 1) less purchasing power, as compared with gold, than it now has, and that this would be the case with all silver produced in that country which is so used.

Thus, we may estimate the production of 1898 on the known production of 1897 - - $69,637,000
Imports in the fiscal year, 1898 - 30,929,451

$100,566,451

Less exports - - - 55,751,597

$44,814,854

all of which is needed, and used, in the country.

Now, assuming the figures to be the same as then, this at a ratio of 22 to 1 would be reduced to $27,964,469; and the need being the same, the balance $16,850,385 would have to be provided by additional imports.

I do not know whence these are to come, unless (1) the imports into India fall off, or (2) the world's production increases.

(1.) Now is there any reason to expect that the Indian imports of silver will be less? I see the net imports in—

1896–7 were about £3,400,000 (rupee average 1*s.* 2*d.*·454).
1897–8 „ 5,200,000 (rupee average 1*s.* 3*d.*·393).
1865–6 „ 18,000,000 (rupee average 23¾*d.*).

(2.) Will the world's production increase owing to a rise of price to 42*d.*?

I see that the production in the United States has steadily increased from 24,518,000 fine ounces in 1875, when the average price was 56⅞*d.* to 53,860,000 fine ounces in 1897 when the average price was 27 9/16*d.*

This, of course, affords no proof that production will fall off with increased price; but it certainly affords no presumption that the production must materially increase. The miner will always get all that his mine will give him. If silver should abound, and prices should rise in the United States, and the exchanges should be permanently against the country (very doubtful premises) then their $861,514,780 gold (about £170,000,000) might be gradually diminished; and assuming the impossible, that population and commerce remained absolutely stationary, and that 183,096,090 fine ounces (the production of the whole world in 1897) were poured annually in the United States, and that they had to export the whole of that sum in gold every year, and produce none at all at home (instead of $57,000,000 as in 1897), then, and only then, in about 5½ years all the gold would go to Europe. The mere statement of the conditions shows the conclusion to be beyond the pale of possibility.

12,905. (*Mr. Holland.*) You have mentioned your reasons for objecting in 1893 to the closing of the mints. Do you still hold the same views that you held in 1893?—Yes—that it was a very evil action; and, like many other evil actions, done with very good intent.

12,906. But I do not quite understand, from what you have said, whether you consider the experiment of 1893 to have been a failure or a success. In one part of your evidence I gathered that you considered that it had been a failure; in another you said that it was too early to pronounce judgment; you say you "do not consider that the circumstances attending "the experiment yet justify a definite conclusion."

(*Chairman.*) What you say is, that you disapproved of the plan altogether, you considered it a blunder, but, now that the blunder has been committed, you consider it would be unwise at present to enter upon another experiment?—Exactly.

12,907. (*Mr. Holland.*) Do I understand rightly that you consider a gold standard to be impossible without a gold currency?—When there is not a gold currency, that is to say, when you are not obliged to pay your debts in gold, that is not a gold standard. That is what I meant.

12,908. Does your objection to a gold standard apply to all the forms of it that have been submitted to us by the different witnesses; do you object to every scheme that has been laid before us?—I have a general objection to every one; that is to say, I do not consider them a gold standard at all if they have not a gold circulation in the form of note or in the form of gold, one or the other, or both.

12,909. Do you consider that, in any scheme for a gold standard, convertibility both ways would be essential?—Yes, but that is only saying that it could not be had.

12,910. Are you aware that Lord Farrer sees no objection to the Government undertaking the responsibility?—I know, but he also says that the Bank of England must take the responsibility.

12,911. You contend that India is at present at a disadvantage in competition with silver using countries?—Yes.

12,912. You also contend, I think, that that disadvantage would be increased by the adoption of a gold standard. In what respect?—You should not make the money of a country diverge from its natural value, as has been done in India—a divergence which would be increased if India had a real gold standard. The economic dangers to India have been excellently set forth by Sir Edward Sassoon in a paper read before the Society, on which I need say no more, as I understand it will appear in the proceedings of this Committee.

12,913. When the negotiations of 1897 with the United States and France fell through, was not the door left open for other proposals, if those countries had been so minded?—I should have said that it was not, but I have heard some representations advanced that the door was not absolutely closed. But I think I have been informed by the highest authorities that it had been closed. It was not closed to *other* proposals; but unquestionably the American proposals were peremptorily rejected. They contained a condition *sine quâ non*, that the Indian mints should be opened to silver; and having regard to the following words in Senator Wolcott's speech in January last year, when reporting to the Senate on his mission:—

"Thus, Mr. President, speaking very briefly and very hastily, I have covered the other suggestions that were made to the English Government when we were requested to indicate what contributions England could make. All other proposals, however, were of infinitely small importance compared with that respecting the re-opening of the mints of India to the unlimited coinage of silver and the repeal of the order permitting gold to be paid for Government dues and to be exchanged for Government rupees;" it is clear that there had been no insistence on his part on the old ratio. It still seems to me that it would have been desirable, in the interests of India and England, and of commerce generally, for our Government to answer, "We cannot consent to a ratio "of 15½ to 1; but, if the United States are willing "to modify that, and can agree with us as to the "extent of the modification, the chief objection of "the Indian Government would be removed." This opportunity again lies before our Government, and I must hope that this Committee will recommend them to seize it. It has indeed been suggested that the Indian Government apprehend that the United States might grow weary of any such treaty; but no one, of course, seriously believes that there is any fear of its infraction by either party, or would fail to see how forcible would be the political reasons for maintaining such a treaty as I am considering.

12,914. (*Mr. Le Marchant.*) Do you think, if India had a gold currency, the demand for gold would be in very large amounts?—I do not, unless it is for hoards. That is why I think you will never establish a gold currency.

12,915. In fact the difficulty arises rather from the absence of demand?—Greatly; that is to say, demand for its use as a circulating medium.

12,916. And, therefore, from there not being a sufficient proportion of gold in the circulation?—I remember what Mr. Joseph Harris said on that point in 1750. Speaking of England he said, "Silver "is the standard of this country. Make what laws "you please, and silver will still be the standard of "this country." He was one of Lord Liverpool's chief witnesses. He said, "When I say it would be "the standard of this country, I mean that it will "be the basis of all ordinary internal operations of "this country." There is also what he called "a standard of merchants," which is exactly equivalent to what Sir John Lubbock calls an exchange standard. In those days the people had gold and used it in that way; it was the standard of merchants. In the last century, when exchange served, gold came, and our merchants amassed it, and used it when they wanted it, and at that very time Harris said, "silver "is our standard, but we must have gold also as "money."

12,917. You are aware that in the past gold was current in India?—I know it was current in some parts of India—in Madras, I think—but I also know that it was discontinued.

12,918. Still there were evidences that it was popular locally?—Yes; I think that cuts both ways. It could not have prevailed in the ordinary transactions of the mass of the people.

12,919. One question with regard to the par of exchange; I gather you are not of opinion that a depreciating currency is of advantage to a country?—It is a temporary advantage to shippers—to exporters—but a very great disadvantage to the country. India has benefited by a low rate as compared to England. When India could sell her wheat, say, at 40*s.*, and afterwards could get the same quantity of rupees selling her wheat at 35*s.*, that was to the advantage of India; it was no profit to the country generally, but it enabled Indian exporters to undersell the unhappy English agriculturalist.

12,920. Do you regard that as a permanent advantage?—Not to the country at all; if I did, I should advocate a paper currency. There is a great difference between a currency depreciated by the action of nature, whether on the metallic measure or on the commodities measure, and a currency depreciated by the action of the State. To the former, nature herself brings an infallible remedy; to the latter, being such as the Indian Government has brought about, no remedy can be applied; the divergence between the face value of the coin and its intrinsic value continually tending to increase.

12,921. (*Sir A. Dent.*) You said that you absolutely disapproved of a gold standard for India, and one of the reasons you gave was that it so largely diminished the stock of gold in this country?—It would tend to do so if successful.

12,922. Will you give a reason why Lombard Street, which you say is the City, should object so much to a portion of the largely increased supply of gold going to India as it now goes to Russia, Austria, or Japan? Why should Lombard Street object to India having gold more than those countries?—Lombard Street must answer for itself, but still I take it that what they mean is that the demand at present for those countries that you spoke of has been sufficient to absorb the additional production that has taken place. Besides, it is no use for us to object to what Russia may do, and she apparently will go on

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doing it. You may say the same of Austria, only she locked up her gold.

12,923. Those supplies of gold will probably go on steadily increasing?—That is a matter that we do not know anything about. There will be no difficulty about getting the gold, but plenty of difficulty about the results of getting it.

12,924. (*Chairman.*) Is there anything more that you wish to say to us? I remember that you desired to amplify your answer to my question about a par of exchange?—A par of exchange, in my opinion, can only be attained by the course which I have suggested. It may be convenient to the Committee that, in conclusion, I should sum up the evidence which I have given.

My objections to the closing of the mints are that it has substituted a managed and artificial system, and a debased money—the system of money which prevailed in England in the days of the Plantagenets and the Tudors—for the automatic system and honest money which has prevailed in India from time immemorial, and which is the same in principle as that which has obtained here from 1666 to the present day.

No government can efficiently and beneficially regulate the volume of currency, which, in a well-ordered State, regulates itself according to the needs of trade.

The new departure of 1893 aims only at the improvement of Government finance, neglecting the interests of the people, whose hoards of uncoined silver are arbitrarily lessened in purchasing power, and whose trade is imperilled in competition with China and other silver-using countries.

It was but an experiment, the success of which, even from the point of view of its authors, is by no means assured; and it will be the more unwise to attempt to graft upon it a new and very doubtful experiment of a so-called gold standard.

A monetary standard, of whatever metal, is that by which a nation, as a whole, measures its transactions in buying and selling; and in that acceptation there can be no doubt what the standard of India is. Make what laws you please, it will remain silver.

But the "gold standard," as the phrase is used by the Indian Government, is only a suggestion that the exporter is to think of his rupees as a varying number of English pence, approaching as nearly as possible to sixteen, while in his dealings with China, the Straits, and Mexico, he still thinks of them as proportionate parts of a silver dollar.

As a medium of exchange and measure of value used by the Indian people, gold seems impossible, and to make the existing rupees a token coinage by limiting their legal tender, is to subject them to the same depreciation as is now suffered by the uncoined hoards.

The whole scheme, in my opinion, must be abortive; but if "successful," or so far as gold could be forced on the people, it would cause them dissatisfaction, and perhaps disaffection, and, to all gold-using countries, a strain on their gold reserves, checking such return of cheerfulness to trade as the cessation of a period of constant fall in prices has lately brought.

In deprecating the attempt to give a further extension to the monetary use of gold, I recall the words which Mr. Goschen said to me in Paris—at the International Monetary Conference of 1878—that for the good of commerce, gold and silver should be shared among the nations, those using gold who preferred gold, and those using silver whom silver suited best. And again, speaking in the House of Commons, April 16, 1690, he said:—

"I have contended, and I am prepared still to contend, that I should prefer the currency of the world to depend rather upon two metals than upon one. I am not now speaking individually of this country and the United Kingdom, but I should like to see silver pressed into service to do the work of the currency of the world, as well as gold, so that the currency of the world did not depend on one metal, but upon two."

In advocating the policy of furthering the adoption by another State, or by other States, of a concurrent mintage of gold and silver legal tender money, I am fortified by the opinions of the members of the Royal Commission on Gold and Silver already referred to (No. 12,841), and also by the Despatch of the Government of India of the 21st June, 1892, signed by (amongst others) Lord Lansdowne, a member of our present Government, and by Sir David Barbour and Sir Charles Crosthwaite, members of this Committee; paragraph 8 being as follows:—

"It may, perhaps, be desirable to make known at some stage of the proceedings of the Brussels Conference our views regarding the introduction of a gold standard into India. But this question, as well as the question of the expediency of India negotiating directly with the United States of America, as suggested in our telegram of 19th May, may stand over till the Conference has assembled, and the representatives of India are in a position to report what the prospects are of a satisfactory solution being attained."

The telegram of May 19 referred to, is quoted in the Despatch as follows:—

"We desire to call your Lordship's attention to paragraph 133 of Part II. of the Final Report of the Gold and Silver Commission, and to suggest that, failing an International Agreement, it may be possible for India and the United States to come to a direct agreement as to coinage of silver . . . . We are of opinion that the time for a merely academic discussion of the problem is past, and urge that a determined effort be made to settle the question by the adoption of practical measures."

I am also fortified by Sir James Westland's Despatch of the 16th September, 1897, paragraphs 2, 4, and 8, which I have already quoted (No. 12,839).

No. 8 giving a reason for the rejection of the American proposals which, as I have shown, rests on no certain foundation.

The adoption by the United States of the ratio of 22 to 1, proposed in the plan here laid down—

Would at once end the controversy, and, by establishing the par of exchange, would enable the Government to open the mints to silver;

Would give the country automatic money;

Would give it a par of exchange with both silver and gold-using countries;

Would remove the economic disadvantages under which it labours in competition with other silver-using countries;

Would attract capital by the prospect of profitable employment, and so help towards the development of India;

Would save it from the perils of a "managed currency," and would save the Government of India from the risk of maintaining the exchange, and from the dangerous liabilities which they might incur in endeavouring to force a gold standard on the people;

Would save commerce from the dangers of an excessive strain on the gold stocks of the world;

Would give 300,000,000 of people a currency which they prefer;

Would restore their uncoined hoards to their pristine value, making them, as before, money at weight for weight—at once a measure of justice and an avoidance of possible political trouble.

These advantages are patent to many men eminent in commerce and finance. Lord Northbrook (among Statesmen), in his evidence before this Committee, claims as one of the recommendations of his plan, that it would in no way preclude such an arrangement as I have suggested being subsequently concluded.

The Commerce of Manchester is unanimous on the subject. Sir F. Forbes Adam writes me the following letter:—

"Mere Old Hall,
"Knutsford, Cheshire,
"14th March, 1899.

"Dear Lord Aldenham,

"I AM obliged to you for letting me know that you are about to appear before Sir Henry Fowler's Committee, and that you intend to give evidence in support of the suggestion I made in July last, that it would be a satisfactory solution of the Indian Currency problem if an arrangement could be made that America should open her mints to gold and silver at the ratio that is the equivalent of a 1*s.* 4*d.* rupee, on condition that the Indian Government resumed the free coinage of silver. You say you intend to testify to the practicability of such an agreement if our Government took the matter up and went forward with it. This is very important. I have always felt that, if it could be brought about, it would be received with approval by the different currency camps in Lancashire, and by all shades of opinion. It would also suit the Government of India, and reconcile divergent views entertained by commercial and other authorities in Calcutta. But I was doubtful if America would listen. Should you be able to show the Committee that there is a reasonable hope of an arrangement being possible within a specified time, it must carry great weight with them.

"Believe me to be,
"Very truly yours,
"(Signed) F. FORBES ADAM."

And the views of Mr. Barclay, whose opinions on the general monetary question are opposed to his, have been fully set before you. No one is more competent than they to express the views of Manchester, and no part of England is more interested in this question than Lancashire, of which Manchester is the commercial capital.

As to the City of London, for which I may venture to speak personally, all parties are desirous of seeing this long controversy settled. You have heard the opinions of Lord Rothschild and Sir John Lubbock, and know that they, as well as Mr. Herbert Tritton, who may be numbered among the chief representatives of finance and banking, have expressed approval of an agreement being made on some such basis.

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I may mention also that Mr. Stephen Ralli, whose eminence as a merchant is known to you all, and whose combined export and import trade with India is by far the greatest, has personally told me that such a settlement, if it could be effected, would, in his opinion, be "the best solution," and he has authorised me to make this declaration upon his behalf to this Committee. He also says that, after making inquiries on the subject amongst his friends in the City engaged in the Indian trade, he finds that Mr. R. Williamson, of Messrs. Finlay and Co., Mr. Brown, of Messrs. Kilburn, Brown and Co., and others, share his opinion; indeed, he says he has "no doubt that such is the opinion of all experienced Indian merchants."

I have also been informed by other friends who are in a position to know, that this view is largely held amongst those engaged in tea planting and other productive industries in India and Ceylon.

To speak of economic authorities who are in favour of an international arrangement, I would mention only Professor Marshall, whom you have heard, Mr. Courtney who is to appear before you, and Professors Foxwell and Nicholson.

If this Committee should recommend the furtherance of the plan here proposed, and if, through their instrumentality, a par of exchange were secured for India's trade with gold and silver standard countries, and not for India's trade only, but also for England's, and indeed for the mutual trade of all gold standard and silver standard countries, it is impossible to exaggerate the benefit which would accrue to commerce.

Such a consummation would make those old-time monetary handmaidens of commerce—gold and silver—once more together do the money work of the world.

The witness withdrew.

Mr. HENRY DUNNING MACLEOD called and examined.

Mr. H. D. MacLeod.

12,925. (*Chairman.*) You have studied and written on economic subjects, and especially currency, for the best part of half a century?—I have.

12,926. Have you had great banking experience?—Yes. It all arose out of my being director of a bank. In the beginning of 1854 I was in the directorate of a bank, and, from circumstances which I need no mention, I was then compelled to examine thoroughly and critically the current works on Economics. I at once perceived an extremely grave defect in them—that they gave wholly insufficient attention to the history and theory of the coinage, which is of supreme importance in the economics of any country. In my "Elements of Political Economy," published in 1857, I gave a sketch of the history of the coinage of England, and in this inquiry I came across the doctrine which I have designated as "*Gresham's Law*," and which is now accepted throughout the whole world, and which is of supreme importance in the subject before the Committee. Being then trained in mercantile law by one of the most able and accomplished lawyers of his day, Mr. Edward Bullen, and having all the operations of banking going on under my own eyes, I found that the writers of these works, who were only literary men, never had the faintest conception of the great juridical and scientific principles and organisation of the colossal system of credit, nor of the mechanism of banking in its various forms. Shortly, then, being well conversant with all the subjects which these writers dealt with, I saw that, though there were many good ideas in them, they were such a chaos of confusion and contradictions that they were of no use for practical business. I then determined to make it the main business of my life to reduce this chaos of contradictions into scientific order, and to raise economics to the rank of a great inductive science similar to the standard works on physical science.

12,927. You are also very familiar with Indian currency questions?—I have studied the question of Indian currency from the dawn of authentic history up to the present day.

12,928. Were you in favour of the closing of the Indian mints to silver in 1893?—I am of opinion that it was absolutely indispensable to close the mints to the free coinage of silver in 1893 to save the Government of India from bankruptcy. As a matter of fact, it ought to have been done in 1864. The lamentable action of both the Indian and Home Governments was the culmination of a long series of economic errors which have brought about the present disastrous state of Indian finance.

12,929. Have you any specific reason that you would wish to mention in addition to what you have already stated?—No, I think that is sufficient.

12,930. Now, what do you think about the proposition which has been so much pressed upon us to re-open the mints to the free coinage of silver?—I think it would be simple madness. I was going to give you my reasons for saying that the mints ought to have been closed in 1864.

12,931. We are not empowered to inquire into that matter. We are empowered to consider the question of the closing of the mints in 1893, and even that is rather a preliminary part of our inquiry. I understand you to say that you consider that that was a necessary step in 1893?—Absolutely indispensable.

12,932. And that it would be a very foolish thing to open them now?—Yes. From the observations I have already made, I am utterly and entirely opposed to reversing the policy of 1893 and re-opening the mints to the free coinage of silver. In

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my opinion such a course would be little short of madness. Such a course would inevitably lead to the bankruptcy of the Indian Government. I may set before you the losses which India has sustained by the unfortunate policy of keeping the mints open to the free coinage of silver from 1864, when they ought to have been closed, to 1893. The Indian Government acknowledges that every penny which the rupee falls necessitates taxation on the people to the amount of 1,000,000*l.*, to meet its charges payable in London. The fall of the rupee from 2*s.*, at which it was in 1864, to 1*s.* 4*d.*, which may be taken as its present rate, therefore necessitates taxation to the amount of 8,000,000*l.* a year for the above purpose. I have not gone very minutely into the calculation, but I think that I may say that the losses by exchange to the Government since 1864 have not been less than 100,000,000*l.* The Committee, however, can verify this estimate for themselves by applying to the India Office. Two-fifths of the revenue of India are paid in rupees under contracts for terms of years. By the fall of the rupee from 2*s.* to 1*s.* 4*d.* the Government has lost $\frac{1}{3}$ of $\frac{2}{5}$ths of its revenue—$\frac{2}{15}$, or more than 13 per cent. of its revenue. These losses have had to be made up by laying tax after tax upon the people, till it is now acknowledged that India is taxed to the very limit of its endurance. Then all British officials have lost one-third of their incomes. It is true that in some cases a slight compensation has been made; but this compensation does not make up for their heavy losses. Numerous officials are now retiring because their pensions, which are paid in sterling, are more than the compensation allowed them in India. The fluctuations in the exchange give rise to speculations in the exchanges, and, as Copernicus said of the gains made by money dealers in collecting good coins out of degraded coin, the gains of the speculators in exchanges are the losses of everyone else. It is proved by witnesses that the difference between the standards has greatly hampered the trade between India and Australia. The difference of the standards between England and India has greatly impeded the investment of British capital in India, because the expected profits may all be swept away by the fluctuations of exchange. If the mints were re-opened to the free coinage of silver, it is estimated that the value of the rupee would at once go down to 10*d.*, which would mean additional taxation laid on the people to the amount of 6,000,000*l.*, besides the proportional aggravation of all the other losses I have detailed above. But I think that it is probable that the rupee would go much lower than 10*d.* Since the Gold and Silver Commission of 1887, the most productive silver mines in the world have been discovered. I am informed that at the most productive silver mines of Mexico and Australia silver can be produced at from 10*d.* to 11*d.* an ounce. Moreover, by more refined processes, the cost of producing silver is being constantly reduced. All the depreciated silver in the world might be dumped down on India. And I think that we might reasonably expect that the value of the rupee would go down to 6*d.*, and by no means improbably even lower than that, and that would at once spell bankruptcy and ruin to India. Some persons with a light heart suggest that these further losses might be met by additional taxation, but I do not think that such persons have well considered the effects of attempting to increase the burden of taxation to such an extent. Such persons, I think, are somewhat similar to M. Ollivier, who entered on the Franco-Prussian War with a light heart. To attempt to increase the taxation of India by 10,000,000*l.* would, to my thinking, simply mean revolution. Moreover, Mr. Lindsay, on this point a very competent witness, says that the fall of the rupee to 11*d.* would cause a great withdrawal of capital from India; still more if it fell to 6*d.*

12,933. (*Sir F. Mowatt.*) May I gather from that answer that the *status quo* should be continued?—No, I am against continuing the *status quo*. The primary object of this Committee being to devise a means for bringing about a stable par of exchange, barring the usual fluctuations of commerce, between England and India, as the indispensable preliminary to rectifying the monetary system of India, I have shown that there is no possibility of attaining such a result, either by adopting bimetallism or by re-opening the mints to the free coinage of silver. There remain only two alternatives: (1) either to allow the present *status quo* to continue, or (2) to restore its ancient gold currency to India, but on an improved system. Now, the maintenance of the *status quo* is as incompatible with the object of the Committee as the two previous suggestions. The Secretary of State for India himself declared the present position—that is to say, the *status quo*—to be "intolerable," and it is quite impossible to bring about a permanently stable exchange between England and India by maintaining the *status quo*. No doubt, during the last 18 months or so, the exchanges have kept pretty steady, a little above, or a little below, 1*s.* 4*d.* But that is a fortunate accident and cannot be depended on as a permanence. Since 1893 the rupee has been as low as 1*s.* 0$\frac{3}{4}$*d.*, and there is no reason why it should not be so again. On some occasions the rupee has been kept higher by manipulating the Council Bills, but that cannot be adopted as a permanent system, for obvious reasons. Therefore, the maintenance of the *status quo* must be equally ruled out with the other two suggestions as incompatible with the establishment of a stable par of exchange between England and India. Having carefully and assiduously studied for upwards of forty years the history of the coinage in many countries and the theory of coinage, I may state it as an incontrovertible fact, demonstrated by experience and by argument, that it is impossible to maintain a fixed par of exchange between countries which use different metals as their standard. It is absolutely impossible to establish a stable exchange between England and India, barring the usual fluctuations of commerce, except by adopting the same metal as the common standard of the two, which practically means declaring the sovereign the standard unit both in England and India, as was so earnestly demanded by the people of India in 1864.

12,934. That means that you advocate the effective establishment of a gold standard in India?—Most assuredly.

12,935. Do you contemplate that with or without a gold currency?—Most assuredly with a gold currency.

12,936. You consider that the history of the Indian currency, of which you have told us you have made a study, shows that a gold currency would be popular in India?—I do, most assuredly. The whole history of Indian currency shows it. In discussing the momentous question before the Committee it will be well to dispel two very prevalent misconceptions. (1.) It is a very widespread opinion that from the earliest antiquity silver was the sole measure of value in India, to which the people from time immemorial have been habituated, and that it is not possible to change the inveterate habits of the people so as to induce them to welcome the change from silver to gold. (2.) That India is too poor a country to have a gold currency. Both these assumptions are entirely erroneous. In the very earliest ages India had only a gold currency; India produces much gold but no silver. But, from a very early period, Western nations imported vast quantities of silver into India, partly to purchase gold, because gold was cheaper there than anywhere else—the ratio of silver to gold in Persia was 1 to 13; in India it was 1 to 8—and also to purchase Indian products. India was in those days a very highly civilised country, while Western nations were still barbarous. Consequently India wanted no Western products, and would sell her own products for nothing but the precious metals. But the silver was only brought to Northern India, because the country of the Lower Indus was the great producer of gold. There was no silver money in

Southern India till 1818, when the East India Company forced the silver rupee upon the people for the first time against their will. Then, in 1835, the East India Company declared their silver rupee to be the only legal tender throughout India, while gold coins were allowed to circulate at their market value. On 1st January 1853 Lord Dalhousie demonetised the whole immense gold currency of India. So it is to be observed that it is only since 1st January 1853 that India has been a solely silver-using country, and not from time immemorial as is so often supposed. Then, to show that the natives greatly prefer gold, I have only to refer to the report of the powerful and unanimous movement throughout India to have their ancient gold currency restored to them, published as a Parliamentary Paper in February 1865. As this document is in your hands, I need not refer to it, and, no doubt, it will receive due weight from the Committee in coming to their decision. Lastly, I think it only necessary to cite the evidence of Mr. Lindsay, who, strange to say, is such a vehement opponent of granting to the people of India what they so ardently desire. Mr. Lindsay says that, if the people of India had the opportunity, they would at once restore an enormous circulation of gold coins. I fervently trust that the Government will gratify this desire as speedily as can be done. I think I have said quite sufficient to prove the case.

12,937. Will you give the Committee your views on Mr. Lindsay's scheme?—I have carefully and critically examined the lengthy evidence given by Mr. Lindsay before the Committee, partly on account of the prominent position held by Mr. Lindsay in the Bank of Bengal, and partly because his scheme has been received with a certain amount of favour in India itself. Mr. Lindsay gives a good many details of business, and on these I am in general agreement with him. Mr. Lindsay's object is to restore a gold standard to India; on that point I am in agreement with him. But his object is to restore a gold standard without a gold currency, and on that point I am utterly opposed to him. Mr. Lindsay admits (Q. 3591–2), that, if such a scheme as I propose were carried out, it would result in an enormous circulation of gold currency in India, and that the natives would eagerly adopt it if they had the opportunity. Now, as I have submitted to you, the preference of the natives is for gold. The silver currency has been entirely forced on India by the violent action of the Government. Now, if Mr. Lindsay admits that if the natives had the chance they would enthusiastically adopt the gold currency, I ask, where is the sense of forcibly obstructing the wishes of the natives themselves? Mr. Lindsay wishes to throw every possible obstacle in the way of establishing a gold currency. I, on the contrary, wish to facilitate the wishes of the natives in every way that can be done, and to restore its ancient gold standard to India as speedily as possible. Moreover, suppose that the gold standard is restored, is it not obvious that the greater the quantity of gold circulating throughout the country, the safer and the more stable it will be? Mr. Lindsay has based his scheme on two supposed precedents. But I must be permitted to say that Mr. Lindsay has quite misconceived these two precedents, and that they have no bearing on the present questions; and I must explain them as briefly as possible:—1. *Ricardo's Scheme.* During the eighteenth century there were several monetary panics, and the Bank of England surmounted them with great skill. But after 1797, when the Banks of England and Ireland were directed by Act of Parliament to suspend cash payments, they flung away the rules by which they acknowledged themselves to be bound while they had to redeem their notes in gold. They both adopted a theory which they dug out of Adam Smith. They increased their issues of notes enormously. Their notes fell to a heavy discount, and consequently the foreign exchanges fell heavily, disorganising commerce. A Committee of the House of Commons in 1804 condemned the theory on which the Irish Bank was acting in the severest language. This arrested the depreciation of the bank note for a short time. But in 1808–9, the Bank of England had again very greatly increased its issues of notes, and also the country banks had multiplied greatly. The paper discounted by the bank in 1795 was 2,946,500*l.*; in 1809, it rose to 15,475,700*l.*; and the country banks, which had been 270 in 1797, increased to 600 in 1808, and to 721 in 1810. At the same time, the paper price of gold rose from 4*l.* in 1805 to 4*l.* 11*s.* in 1809; and the exchange with Hamburg fell from 35*s.* 6*d.* in 1805 to 28*s.* 6*d.* in 1809. At the same time two prices prevailed in the country, a gold price of 21*s.*, and a paper price of 27*s.* In 1810, the Bullion Committee condemned the theory of the Bank of England exactly as severely as the Irish Committee had condemned the Bank of Ireland. The House of Commons threw out the resolution of the Bullion Committee and voted that bank notes and guineas were equal in public estimation, which was affirming that 21 was equal to 27. The bank being thus freed from all control, increased its issues more extravagantly than ever. In November the paper price of gold was 5*l.* 10*s.*, and country banks increased from 728 in 1811 to 940 in 1813, and their notes issued were estimated at 25,000,000*l.* This huge mass of inconvertible paper in circulation depreciated the value of the bank note to 14*s.* 2*d.* In the autumn of 1814 the country banks began to fail, and during 1815–16 400 country banks failed, and the amount of notes in circulation was little more than half what it was in 1814. The removal of this mass of paper caused the value of the bank note to rise to 3*l.* 18*s.* 6*d.* in October 1816, and the exchange with Hamburg rose to 38. The bank had, on several occasions, intimated to the Government their perfect ability and readiness to resume cash payments, but had always been prevented from doing so for political reasons. But in November 1816 they had accumulated so much treasure that they gave notice that they were ready to pay off all their notes dated before the 1st January 1812, and in April 1817 all their notes dated before 1st January 1816. In October 1817 their cash had increased to 11,914,000*l.*, and the bank then said they were ready to pay off all their notes dated before 1st January 1817. The new coinage was issued in 1817. Thus the bank resumed payments in cash entirely of their own accord, without any legal compulsion, and, if it had not been for certain circumstances, they would have finally resumed cash payments in full without exciting any remark. But in 1817 Prussia, Austria, and other states contracted large loans in order to replace their depreciated paper with specie, which were largely taken up in this country. In April 1817 the Exchange began to fall, and the paper price of gold to rise. A steady demand for gold set in on the bank, and, in pursuance of its notices, 6,756,000*l.* was drawn out of it in gold. The British Government reduced its rate of interest on Exchequer bills, and the higher rate offered by foreign governments increased the demand for gold for export. The bank also increased its advances to Government from 20,000,000*l.* to 28,000,000*l.*, and the Country Bank issues increased by two-thirds since 1816. It was clear that the bank would be very soon drained of its cash, and on the 6th April 1819 an Act was passed to prohibit the bank from paying any cash at all. The Bullion Committees of the Lords and Commons were appointed. Ricardo had gained a considerable reputation, and he developed his scheme to these committees, and it was adopted by them, and an Act was passed to give it effect. He had previously shadowed out a plan by which no gold should be paid out of the bank except in bars of 60 ounces. The Act, commonly called Peel's Act, enacted (1) That the Acts for restraining cash payments should finally cease on May 1st 1823; (2) That between 1st February and 1st October 1820 any persons who presented notes to the bank of not less value than 60 ounces of gold might have payment of them in bars of standard gold bullion at the rate of 4*l.* 1*s.* per ounce. Between 1st October 1820

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and 1st May 1821 the rate was to be 3*l.* 19*s.* 6*d.* Between 1st May 1821 and 1st May 1823 the rate was to be 3*l.* 17*s.* 10½*d.* After that date payments were to be in gold coin. Numbers of persons, and apparently among them Mr. Lindsay, suppose that the bank subsequently resumed cash payments under this Act, but such an idea is erroneous. The fact was that this Act was a complete dead letter, it never had any operation at all. In August 1819 the paper price of gold fell to 3*l.* 17*s.* 10½*d.* The bank note was therefore at par. Consequently, nobody went to the bank to buy gold at 4*l.* 1*s.*, especially in such inconvenient quantities, when it was to be had in the open market at 3*l.* 17*s.* 10½*d.* Ricardo's scheme was therefore entirely inoperative, and a great nuisance for business. The bank then, in 1821, brought in a Bill of their own to enable them to resume cash payments. The Statute of 1821, c. 26, enacted that the bank might resume payments in cash on 1st May 1821. 2. *Scotch Banks.* The facts of the Scotch currency case, also cited by Mr. Lindsay, are simply these. The Bank of Scotland was founded in 1695 with a monopoly for 21 years, which expired in 1716, and it was not renewed. It had been extremely successful, and, as soon as its monopoly expired, many other banking companies started up, and among them its powerful rival the Royal Bank. All these banks were in a state of mutual hostility, and they sought to ruin each other. To guard against this, the Bank of Scotland introduced a clause into their notes making them payable on demand or at six months after sight, at the option of the directors. All the other banks adopted the same plan. The consequence was that the whole of the Scotch notes were practically inconvertible for six months. The Scotch exchange fell 4 per cent., and all the coin was exported. At last the two principal banks agreed to combine their influence to put an end to this nuisance. At their instance the Act 1765, c. 49, was passed suppressing all notes under 20*s.* and prohibiting these being issued with the optional clause, and making all notes payable to bearer on demand. In consequence of this, silver at once returned into circulation, and since then the Scottish currency has never varied from par. It is impossible to see what support this case lends to Mr. Lindsay's scheme. Neither of these cases, therefore, lends the least support to Mr. Lindsay's scheme. Mr. Lindsay seems to think that Ricardo's scheme might be made permanent so as to establish a gold standard without a gold currency. But Ricardo's scheme did not prevent a gold coinage, for during the time it remained on the Statute Book the gold coinage of 1817 was in circulation throughout the country, and was nothing but a nuisance, and it was got rid of as quickly as possible. To suppose that such a measure should ever be adopted as a permanent system is to my mind a pure delusion. Mr. Turner, a director of the bank, said in a pamphlet, "With regard to the "effect of Mr. Peel's Bill on the Bank of England, "I can state from having been in the direction during "the last two years that it has been altogether a dead "letter. It has neither accelerated nor retarded the "return to cash payments." The only other part of Mr. Lindsay's evidence that I think necessary to refer to is that he has given a strong opinion that the whole silver currency should be convertible into gold at the will of the holder. I should like to be allowed to make some remarks on this point.

12,938. What have you to say on the convertibility of the rupee into gold?—I am greatly surprised that some persons have given it as their opinion that, in order to maintain a par with gold, it is necessary that the rupee should be convertible into gold at the will of the holder. If such an idea were to be adopted, it would simply mean that a gold currency could never be restored to India. Suppose that the Government had many and wealthy enemies, as it might easily have. Suppose that these wealthy enemies conspired to collect 50 crores of rupees—which they might easily do—and suddenly presented them at the Treasury and demanded gold for them. The Government would simply be bankrupt, no Government would ever dare to restore a gold currency to India if it were called upon to face such a liability. Nor in any country in the world are gold and silver convertible into each other. In India itself the gold and silver coins were never convertible into each other. They circulated independently according to the estimation of the natives. In England, if persons accumulated 20 million shillings, they could not compel the Bank of England to give gold for them. Nor in France is the Bank of France bound to give gold for 25 million francs. So also in Germany, the United States, and every other country in the world. Paper currency is a promise to pay in coin, and consequently must always be redeemable in coin on demand, to be kept at par with coin. But in no country whatever are gold and silver convertible into each other. The way that shillings, francs, marks, &c., are kept on a par with gold is—(1) that they are strictly limited in quantity and cannot be increased in amount at the will of private persons; (2) then they are declared to be equivalent to gold as tender to a certain amount in payment of debts and taxes. That is all that is necessary to maintain subsidiary token coins at a par with the standard coin, as is evidenced in the cases of England, France, Germany, &c.

12,939. If there were a gold currency in India, do you contemplate that it would be in danger of disappearing into hoards?—It has been urged that the natives are so given to hoarding that, if a gold currency were restored to India, it would immediately disappear from circulation and be hoarded away. Such an idea, in my opinion, is purely imaginary. Persons who urge this seem to be oblivious that, with all the inveterate desire of the natives to hoard, there is an immense silver currency in India at the present time, estimated I believe at about 110,000,000*l.* They seem also to be oblivious that, though the natives from the earliest antiquity were given to hoarding, there was until the 1st January 1853 an immense gold currency in India — estimated at 120,000,000*l.* Though Lord Dalhousie's notification deprived this vast gold currency of its quality of legal tender, yet it was shown in the Parliamentary Paper of 1865 that sovereigns circulated to an immense extent throughout all India by the free consent of the natives, and were most popular among the natives; and that they had established a gold bar currency among themselves. Notwithstanding all the predilections of the natives for hoarding, a certain amount of money in circulation is indispensable for the business of life, and, as it was in the past, so will it be in the future. Let me put the case to yourselves. You receive perhaps 1,000*l.* as part of your income. You spend what you may want, and then you hoard away the rest—not in your own houses, but you pay it into your banking account. That is, you hoard it away at your bankers, and draw forth from time to time what you may require. But the natives of India do not trust their bankers. They are their own bankers and they draw forth from their hoards whatever they may want from time to time, just as you do here. There is no more danger from hoarding in India than from hoarding here. The danger, therefore, is purely fanciful.

12,940. What have you to say as to the rupee being a legal tender?—It will be seen in the Parliamentary Paper of 1865, which I have cited, that Mr. Parry of the Delhi Bank had, under instructions, taken the opinion of the leading merchants and bankers, and that they had no doubt of the success of the restoration of the gold currency to India, with the sovereign as the standard coin. One native banker, who had agencies in every large town in India, said that silver should only be legalised as payment for fractional parts of a sovereign. This, in my opinion, is far too extreme a measure to be taken at present, or at once. In my opinion, the silver rupee should be maintained as unlimited legal tender for a considerable time until India is sufficiently saturated with gold. When that is done, I think that silver should

be restricted as legal tender to an amount considerably exceeding the largest transactions of the poorer natives—say, 25*l.* Then, as the natives would perceive the great advantage of having gold coins instead of cumbrous silver coins, I think that the limit of silver as legal tender should from time to time be cautiously and gradually reduced till it reached a minimum. Sir Edgar Vincent said that silver was restricted in Egypt to 5*l.* as legal tender. I think that this limit—or perhaps, say, 10*l.*—might ultimately be reached in India. There is no doubt that, by the increase of industry in various forms which is now so rapidly progressing in every part of India, the natives will become richer, and Indians like all other people will prefer to have a sovereign rather than 15 rupees. However, all such steps must be taken cautiously and gradually by the Indian Government at its own discretion, and accordingly, as gold comes into general circulation, the Government should reduce the legal tender of silver until they reach the limit they think best suited for the country.

12,941. Assuming that a gold currency is introduced into India, at what rate do you consider the rupee should be taken?—As a matter of pure economics, the mints being closed to the free coinage of silver, the Government might fix the rating at anything they please. They might fix it at 10 rupees to the sovereign. But whether it would be expedient to go back to the rate of 1864 is quite another question. Mr. Hollingbery warned the Government in 1875 that they would find the restoration of the gold currency to be quite inevitable, and, the longer they delayed it, they would find greater difficulties, embarrassments, and expense in doing so. And Mr. Hollingbery's warning has been fully justified. When a government persists in a course of economic error, a certain number of persons make profits out of these errors, and it is only human nature that they should strenuously resist reform. This has been the case in India. During the continuous fall of the rupee since 1864 a large number of conflicting interests have grown up in India, and, though it is quite in accordance with economic theory that the sovereign should be rated at 10 rupees, it would practically be impossible to do so with regard to existing interests. I think that it is the duty of the Government to fix the rating of the sovereign to the rupee after due consideration of all the circumstances of the case. Still, a private inquirer like myself may offer a suggestion. I have therefore carefully studied the opinions of distinguished persons, and I find that there is a general consensus of opinion that the rupee should be rated at 1*s.* 4*d.* or 15 rupees to the sovereign. In favour of this course it is to be observed that the exchanges have continued very closely at this rating. During the continuance of this exchange a vast number of contracts must have been created, and officials of high eminence have testified that such a rating would be in no way injurious to agriculture. Of course, the matter must be a compromise between conflicting interests, but from all the reading and reflection I have given to it it seems to me that the rating of the rupee at 1*s.* 4*d.*, or 15 to the sovereign, is the most expedient under the circumstances and would cause less disturbance of private interests than any other. It would also be an advantage that this rating is most in harmony with the monetary system of England, because under it the anna becomes the penny, and the sovereign would be 240 annas—which would greatly facilitate accounts between England and India.

12,942. Is it essential that this rating should be declared forthwith?—I consider that this rating should be adopted simultaneously with declaring the sovereign legal tender throughout India.

12,943. Do you consider that it is possible to find what has been described as a "natural rate" for the rupee as measured by sterling?—There is no fixed "natural rate" between gold and silver or between any two quantities whatever. The "natural rate" between gold and silver is simply the market rate for the time being under the general law of supply and demand. It has been shown by a series of the most illustrious economists for 500 years, and confirmed by the experience of the Indian Government in 1806, that this is the fatal and invincible objection to bimetalism. It is absolutely impossible to control the fluctuating market value of gold and silver, and, coins being nothing but pieces of bullion with a stamp on them, which in no way affects their value, the coins must follow the value of the bullion of which they are made. And, consequently, it is impossible to preserve a fixed value between the coins, when it is impossible to control the fluctuations in the value of the metals they are made of.

12,944. What practical steps should you propose in order to establish now a gold currency in India?—Having thus, I venture to hope, cleared away all objections to the restoration of a gold currency to India, I will now submit to you the steps I should suggest to carry such a thing into effect——

12,945. (*Mr. Le Marchant.*) Do you mean a gold currency, or a gold standard?—You cannot have one without the other; I cannot imagine their being separate.

12,946. (*Sir F. Mowatt.*) Then we may read your answer, "Gold standard and gold currency"?—Yes, I cannot imagine a gold standard without a gold currency. Then the steps I would suggest are:—(1.) That the sovereign should be at once declared unlimited legal tender throughout India at the rate of 15 rupees to the sovereign. (2.) That, in terms of the Coinage Act of 1870, c. 10, the Indian mints should be declared to be branches of the Royal Mint in London, as the Australian mints are. (3.) That the Indian mints should be at once authorised to coin sovereigns and half-sovereigns of exactly the same weight and fineness as British sovereigns and half-sovereigns.

12,947. (*Sir A. Dent.*) That would be a branch of the Home Mint?—A branch of the Royal Mint, just as the Australian mints are branches of our Mint here. That the Indian sovereigns and half-sovereigns should have free circulation, and be unlimited legal tender throughout the Empire. (4.) That the Indian mints should be furnished with the necessary machinery to carry this resolve into effect as speedily as can be done. (5.) That every person who brings gold to the mints should be entitled to have it coined into sovereigns and half-sovereigns, as he may prefer, free of any cost or charge, at the mint price of 3*l.* 17*s.* 10½*d.* per ounce. (6.) That the Government should keep the coinage of silver entirely in its own hands. The Government can then extend or restrict the coinage of silver, as it may deem necessary and expedient for the wants of the people. (7.) That silver rupees should, for the present, remain unlimited legal tender until the Government deems it expedient to restrict silver as legal tender. (8.) That, so long as silver remains unlimited legal tender, the India Council Bills should be payable in gold or silver, at the legal fixed rating, at the option of the Government. (9.) That, so long as silver remains unlimited legal tender, all mercantile bills and other obligations should be payable in gold or silver at the legal rating at the option of the obligor. (10.) That, in case the Government should deem it expedient to restrict the amount of silver as legal tender, all the obligations above mentioned, Council bills, mercantile bills, and other obligations, should only be payable at the option of the obligor to the amount in silver declared to be legal tender. Then, as to the means of procuring a supply of gold. As a means of procuring the necessary supply of gold, I suggest:—(1.) That, after a fixed time, giving ample time to importers to make preparation, all customs duties in India should be paid in gold, or the equivalent of gold, such as cheques payable in gold. (2.) Considerable and increasing quantities of gold are now produced from Indian mines. These mines have only been opened within a comparatively recent time, but several of them are already very prosperous. The

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mining companies send all their gold to London to be sold for what it will fetch, thus incurring losses from freight, insurance, and loss of interest. If the Indian mints were opened to the free coinage of gold, the companies would naturally send their gold to be coined at the Indian mints and so save freight, insurance, and loss of interest, and greatly tend to increase the circulation of gold in India. Some of these mines have quadrupled their output since 1892. I have been informed that there are known to be extensive gold-bearing tracts that have not yet been touched; and new companies are frequently being formed. (3.) I cannot say whether sovereigns are held at the present day by the natives in such large amounts as was proved in 1864. But it is certain that there is now a very considerable amount of sovereigns in India. During the last year it is stated that 100,000 sovereigns were sent to the mint at Calcutta, and 40,000 to the mint of Bombay. If the sovereign were declared unlimited legal tender, it can scarcely be doubted but that considerable quantities of sovereigns would come out of their hiding places and be restored to circulation. (4.) For thousands of years until the 1st January 1853 India possessed an immense gold currency. At the latter date it consisted of a great variety of native gold coins and the Company's gold rupees. Up till the 1st January 1853 all this gold currency was received at the public treasuries and in payment of taxes at its market value in silver rupees. There must be beyond all doubt a very considerable amount of this gold currency estimated at 120,000,000*l.* still in existence. I suggest that all this gold currency should at once be restored to circulation at its exact equivalent value in sovereigns. I suggest that the Indian Government should publish a tariff stating the exact value of each of these gold coins in relation to the sovereign, and that they should all be received at the public treasuries and in payment of taxes and private debts at their Government valuation. I suggest that all sums received at the public treasuries and in payment of taxes should at once be sent to the mints to be coined into sovereigns and half sovereigns. By this means these gold coins would gradually disappear from circulation and be replaced by sovereigns and half sovereigns, and it would be a great convenience to the Indian community to have a uniform coinage instead of a vast multiplicity of native coins of different weights and fineness. Besides the actual coins it is known that immense amounts of gold are hoarded away or worn as personal ornaments by the natives. Persons of high authority estimate it at not less than 300,000,000*l.* But all such estimates are purely conjectural. All that can be said for certain is that it is something enormous. It is a notorious fact that for thousands of years the precious metals have been pouring into India. Besides the accumulations of former years, it is an official fact that since 1835 to the present time the net imports of gold into India exceed 160,000,000*l.* Lord Rothschild said in his evidence that in the course of a few years he had imported 5,000,000*l.* of gold into India in the form of bars which the native bankers hold as reserves. The practice alluded to in the Parliamentary Paper, that the natives established a gold currency among themselves of bars stamped by the Bombay banks, still continues in full vigour at the present day. The wealthy bankers of Calcutta, Bombay, and Madras hold large reserves in bars of gold and silver bullion. I think that the Government might greatly encourage the natives to bring their hoarded gold and personal ornaments to the mints to be coined, by offering them a slight advantage for doing so. I cannot doubt that, if the natives could have their hoarded gold coined into sovereigns and half sovereigns, especially on receiving a small reward, they would greatly prefer them to their equivalent in rupees, and thus a great gold currency would be restored to India as of old, and in this opinion Mr. Lindsay thoroughly concurs.

12,948. (*Sir F. Mowatt.*) That means that gold would come out of hoards?—Yes.

12,949. And would take its place as currency?—Yes.

12,950. It would replace an equivalent amount of rupees?—Yes.

12,951. Would those rupees go into the hoards instead of gold?—Yes.

12,952. You do not contemplate an increase in the general body of currency?—No. I should leave that to the operation of natural circumstances. Mr. Lindsay thoroughly concurs in the opinion that, if the natives had a chance of doing it, they would do it.

12,953. I was asking you whether you contemplated that the result would be to increase the total currency of India, or simply to substitute the sovereigns that come out of hoards for the rupees that went into the hoards?—It would be a very gradual operation.

12,954. (*Sir A. Dent.*) All that would happen in the first instance would be this: a man first of all would turn his gold bars into sovereigns?—Yes.

12,955. When he has got the sovereigns he would be *in statu quo;* he has got sovereigns instead of gold bars?—That is all.

12,956. (*Sir F. Mowatt.*) But I understand that, having got these sovereigns, they would not in your view remain in hoard, but would come out and go into the currency?—Yes. If you read the evidence, you will see that it is overwhelming to that effect. The poorest natives of India are obliged to put up with silver because they cannot do anything else, but the evidence is overwhelming that the natives who can afford it prefer gold to silver, and very naturally so; everybody else does. I suggest that the Indian Government should enter into negotiations with the native Princes, and endeavour to persuade them to adopt the sovereign as their standard unit. I am persuaded they would soon be brought to perceive its advantages. It would unify the monetary system of India and greatly facilitate commerce between the native States and the British Dominions. I am pleased to observe that three native States have already come under this arrangement, and I am persuaded that, if its advantages were prominently brought before them, many other States would gradually follow. I observe in a telegram from Melbourne of February 1st that within a short time upwards of a million in gold had been sent from Melbourne to India. If the sovereign were declared legal tender in India, there would undoubtedly be a large flow of Australian gold into India.

12,957. Then, generally, how do you sum up the advantages of these proposals?—In my opinion, the proposals I suggest would have these advantages: (1.) A permanently stable exchange being established between England and India, and the exchanges being always favourable to India, except perhaps in a few isolated cases, the Government would always make a profit on its bills instead of a loss. (2.) The restoration of a gold currency would put an end to fluctuations in the exchange, and, therefore, to speculations in the exchanges. (3.) It has been urged, and not without reason, that the closing of the mints to the free coinage of silver has been a hardship to the natives, as they are not now able to convert their hoarded silver and personal ornaments into rupees in case of necessity. It is, however, an undoubted fact that the natives prefer to have the greater part of their hoardings and personal ornaments in gold rather than in silver, when they are able to do so, and the increasing premium on gold, as compared with silver, has greatly promoted the hoarding of gold. If the mints were opened to the free coinage of gold, the alleged hardship of closing them to silver would be entirely obviated. (4.) They would leave the present rupee currency absolutely untouched. (5.) They would supply a mass of gold many times exceeding the quantity required to restore the ardently desired gold currency from the gold already existing in India itself, without the necessity of seeking an ounce from any foreign market. (6.) They would

tend greatly to increase the commerce between India and all other departments of the Empire, especially Australia, and also other gold-using countries. (7.) They will retrieve, as far as can be done, the lamentable error of Lord Dalhousie in demonetising the immense gold currency of India, and the lamentable error of the Indian and Home Governments in 1864 in failing to close the mints to the free coinage of silver, and so re-establishing the gold currency in that year at the fixed rate of 10 rupees to the sovereign—which have been the causes of the monetary troubles which have so long afflicted the country. (8.) They would establish a solid and permanent monetary system in India for ever, on exactly the same lines as the British system, which is now universally recognised as the most perfect system ever devised by the ingenuity of man, and which has now been adopted by an increasing number of civilised Governments. (9.) When this system is once fairly established, it will be possible to improve the banking and paper currency system of India, which is now in a very crude and undeveloped state, and which greatly needs reform to meet the growing industrial and commercial wants of India. (10.) They would greatly tend to consolidate the Empire, by adopting the same standard unit throughout its extent.

12,958. If the favourable conditions which have maintained a 1*s.* 4*d.* exchange should cease, temporarily or otherwise, would not the existing stock of rupees tend to be in excess of the volume required for the fixed rating of 1*s.* 4*d.*?—Not after the gold currency has once been established and the exchange settled in gold. The state of the exchange depends exclusively on the state of the coin, or other medium in which they are settled, and is in no way affected by the depreciation or bad state of any other coins or media used used for internal circulation. Several striking instances of this may be given. (1.) During the great re-coinage in 1693 the Bank of England stopped payment. The only medium of settling the exchanges was bank notes. The bank notes fell to a very heavy discount—25 per cent. The exchange with Holland accordingly fell 25 per cent. But in July 1696 the new silver coin came out, and the exchanges which were paid in it immediately rose to par, while for 15 months after that the bank note was at a discount of as much as 24 per cent., and was not brought to par till October 1697. Thus the heavy discount of the bank note had no effect on the exchanges when the good silver coin was brought into circulation. (2.) In 1717 Parliament enacted that guineas should be legal tender for 21*s.*, when Sir Isaac Newton had shown that they were only worth 20*s.* 8*d.* Guineas were thus overvalued by 4*d.* That over-rating of the guinea caused the whole of the good silver to disappear. Gold being the cheaper metal, it was settled among merchants that all bills of exchange should be paid in gold. Although the legal standard was silver, merchants, by custom, made the exchanges payable in gold. Thus it was the Bimetallic Law of 1717 which made gold become the practical standard in England. Thus the Bimetallic Law of 1717 produced monometallism in England as it has done in every instance in history. (3.) The present silver coinages of England, France, and Germany are not worth their legal rating by more than 50 per cent.; and yet this depreciated subsidiary currency has no effect whatever on the exchanges, because they are settled in gold.

12,959. Then, under those circumstances, there is no need, I think, to ask you the further question—whether you would take any steps to meet any such future possibility, because you have practically answered that in the negative in your answer to the last question?—I say it is possible that the dangers set forth here might occur—I do not say they will, but it is possible they might occur during the transition from silver to gold. Therefore, my obvious answer is, accelerate the transition from silver to gold as fast as ever you can. After you have settled it, as I say, nothing that touches the rupee can affect the exchanges, which are always settled in gold.

12,960. (*Mr. Le Marchant.*) You were saying, if I understood you rightly, that convertibility was not necessary to maintain the par between rupees and sovereigns. Are you assuming a favourable condition of foreign trade? Supposing the balance of payments were against India, would not the tendency be for a premium on gold to come into existence?—But if the exchanges are settled in gold, the rupees would not come into the case at all—just as here the English exchanges are settled in gold, and the value of a shilling, which is not really worth more than about 5*d.*, does not affect the exchanges.

12,961. Would not that depend upon the proportion between the amount of rupees and the gold in circulation?—I do not think so.

12,962. You would regard the exchange between England and India as being stated in terms of gold?—Purely in terms of gold. In no country in the world is silver convertible into gold at the will of the holder. In France the exchanges are always at par, because all the French exchanges are in gold, and the enormous five franc currency that there is in France does not affect the exchange a bit.

12,963. Practically, in France it is always possible to get gold at the Bank of France?—By paying a premium.

12,964. In certain cases only?—I am not sure, but I think it is absolutely at the will of the Bank of France whether it pays drafts upon it in gold or silver.

12,965. It is certainly at their discretion, but, as a matter of practice, it is possible to get gold?—Yes, but they always exact a premium for it. That, however, does not affect the exchange.

12,966. But the exchange on Paris did vary in very close correspondence with the premium on gold recently?—I daresay you have gone into that more than I have. When a coin goes to a premium it disappears from the general circulation.

12,967. There would necessarily be a tendency, would there not, for gold to leave India at times for remittance purposes?—Those are the cross operations of banking.

12,968. You proposed to offer a bonus upon gold paid in by natives of India, giving them some advantage?—Yes, my fixed idea is this, that—not too suddenly—you should facilitate the restoration of the gold currency. I think, if you gave a small premium, say, perhaps, 2 or 3 per cent., you would have natives bringing their ornaments, their vases, and so forth, out to be coined.

12,969. Would you, at the same time, be giving a different rate at the Mint? Take the rate at the Mint as being, for argument's sake, 15 rupees to the sovereign; would you propose a different rate for gold brought to the Treasuries?—I think it would induce people to bring out gold which they otherwise would not do, but it is just an idea thrown out.

12,970. You speak of accelerating the transition from silver to gold. A good deal would depend on the rapidity with which that could be effected, would it not?—Yes. I would not borrow 50 millions, as has been talked of here; I would let the operation of natural causes act in India itself. I would send this out by telegraph to-morrow, simply to declare the rupee legal tender at 1*s.* 4*d.*—nothing else for the present—just to bring it out into circulation, which would be gradual.

12,971. You would contemplate an interval of possibly some years?—No, I do not contemplate an interval of years.

12,972. Can you say anything as to the time in which those measures would effectively establish the gold standard?—That would depend greatly on the energy with which the Government took up the question. All I say is that it would have to be a gradual thing.

12,973. Can you give any notion of the period at which the transition might be completed?—I cannot

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conceive that, if the Government are really in earnest and put their hearts into it, and especially get the banks to assist them—if it was the settled policy of the Government, I am sure the great Indian banks would come into it—I do not see why it should not all be done in two years. Then, I do not propose to limit the legal tender of the rupee at present. I would leave it perfectly untouched, and simply gradually introduce a gold currency in addition to that.

12,974. You suggested making Customs duties payable in gold. Would importers have any greater facilities for getting gold than the Government themselves?—Importers must pay their dues, and it is quite easy for them to avoid silver. That is one of the ways I should take to restore a gold standard. In Russia all the import duties are payable in gold.

12,975. But the importer would have to buy it in the market?—But he would have to buy silver. It does not matter to him whether he buys silver or gold.

12,976. Unless there were a difference of price?—Suppose the price of the sovereign is fixed at 15 rupees, is it not the same thing to him whether he gets gold or silver?

12,977. If he can buy it at the same price; but that might not be the case at first?—I want nothing violent. I want a certain end in view, and to pursue it gradually. You might give them a little time to arrange matters. It is done here; so it is in Russia. I do not know how it is in France. In Russia, certainly, it is done.

12,978. With regard to a tariff of the existing gold coins in India, would you base that entirely on the weight of fine gold in the coins, taking it in exact proportion to the fine weight of the sovereign?—Quite so. That is the way that all coins are measured, by the quantity of fine metal in them.

12,979. I think in your work on bimetallism you made some suggestion about giving a market rate for gold coins if brought in?—No, that was the old custom when the Indian Government finally abandoned bimetallism as hopeless in 1835, quite ignoring their Minute of 1806, which utterly condemned bimetallism. They said that silver rupees should be the sole legal tender throughout India, but that all the ancient gold coins should be received at the public treasuries at their market value in silver.

12,980. But I thought at one time you proposed adopting the same measure again as an inducement to the holders of gold to bring it in?—No, I do not think so, because I want everything to be brought into connection with the gold standard—with the sovereign.

12,981. At a fixed rate?—At the rate of pure metal. Formerly gold coins were received at their market value in silver. Now I want them received at their strict relation to the sovereign. This would make the currency of a uniform value.

12,982. (*Sir A. Dent.*) I did not quite understand what you said about mercantile bills being payable in gold or silver at the option of the obligor. Will you explain that a little more fully?—Suppose I have your bill for 100*l.*; suppose I demand gold; it may be very inconvenient to you; or I might demand silver and you might not have it. Now, it is the same to me whether you pay me in gold or silver—whether you pay me in two sovereigns or forty shillings; either would be perfectly good for me; whereas it might be inconvenient to you to compel you to pay one or the other.

12,983. But, if I owed you 100,000*l.*, it would be very kind of you to let me pay the 100,000*l.* or its equivalent in shillings?—Exceedingly so.

12,984. I do not know how that would work. I might turn that to my advantage surely?—The rupees at 1*s.* 4*d.* are the legal equivalent, just as shillings are here. What does it matter whether you pay two sovereigns or forty shillings?

12,985. Because I can always get rid of forty shillings, but I cannot always get rid of 400,000 shillings?—But the same principle applies. It would be very inconvenient if a lot of people could press the Government for a particular metal. I would give the Government the option to pay which it liked, they should have their option entirely.

The witness withdrew.

Adjourned.

THIRTY-THIRD DAY.

Friday, 17th March, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.
Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. W. H. HOLLAND, M.P.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary*.

Rt. Hon. L. H. Courtney, M.P.

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The Right Hon. LEONARD H. COURTNEY, M.P., called and examined.

12,986. (*Chairman.*) You wish to call attention to the questions that were submitted to the Herschell Committee?—Yes. I think, so far as I understand the scope of your inquiry, it is essential that you should first examine, as doubtless you have, what the Herschell Committee was called upon to do and what it did. It is upon the results of the action consequent on the report of that committee that you now stand, and from that standpoint you have to face the future. It appears to me necessary that you should realise the past, and, although probably I shall say nothing but what you have already had before you, I think it better to begin by saying that. The situation at the time when the Herschell Committee was appointed may be shortly said to be this: that all classes interested in trade and commerce in India were very much embarrassed by the divergence—the uncertain and, as it proved, the growing divergence—between silver and

gold. The instability of ratio baffled all calculation; people did not know when they entered into a transaction what would be the result when the transaction came to be completed. But, in addition to that, the real motive cause of the appointment of the committee was the great embarrassment to the Finance department of the Indian Government. The fall in the value of the rupee in relation to the pound sterling produced great and repeated deficits in the Indian finances, and the Finance Minister did not see his way to any mode of filling that deficit by the imposition of taxes. And, moreover, there was a danger that that deficit might be increased, so that any step taken to cure it for a particular time might be insufficient in the course of a year or two. Moreover, at the time of the appointment of the committee there was an imminent danger, which was, in fact, soon after realised, of a change of action on the part of the American Government and Congress, which would lessen the consumption and coinage of silver within the United States, and so probably increase the divergence between silver and gold, making India almost the only open ground for the reception of the silver that was being mined. This very much alarmed the Indian Government. It was urged on the Indian Government that the only way of settling this difficulty once and for all was to close the Indian mints; and the Indian Secretary consulted Lord Herschell and his colleagues as to whether it would be justifiable to reject that proposal.

12,987. I think I ought to ask you this question now, because Sir David Barbour, who was then the Indian Minister, as one of our body. The proposals of the Indian Government were not only to stop the coinage of silver in the Indian mints, but they also proposed the introduction of a gold standard, and that step was a preliminary to the introduction of a gold standard?—You have the words before you. I do not think the terms of the reference to the Herschell Committee included that. It was only with reference to that possibility.

12,988. No, it was a little more than that. I will read you the words:—"I enclose for your Lordship's "perusal a copy of the correspondence which has "recently passed between the Secretary of State for "India in Council and the Government of India, in "which, as you will observe, that Government sub-"mits proposals for stopping the free coinage of "silver in India, with a view to the introduction of a "gold standard." So that it was not simply an enquiry as to the closing of the mints?—That was within the view, no doubt, of the Indian Government, but the actual question which we were called upon to decide was whether the Home Government would be justified in rejecting that propcsal; if we could not advise a rejection, could we offer any suggestions as to what would accompany the closing of the mints? I think the first part of our answer was restricted to the reply that we could not advise the Indian Secretary to reject the proposal of the Indian Government, and we went on to say that, if the mints were closed, we thought it should be accompanied by a declaration on the part of the Indian Government that they would be prepared to receive gold, and to give out rupees in exchange for gold, at the several treasuries and elsewhere that they might appoint, at the rate of 15 rupees to the sovereign.

12,989. We had better just get upon our notes the exact terms of the recommendation. The exact recommendation of the Committee, which was signed by every member of the Committee except Lord Herschell (who, of course, did not sign it because he was a member of the Government who would have to consider the report, although he concurred in it), is this:—"It remains for us to state the conclusions at "which we have arrived. While conscious of the "gravity of the suggestion, we cannot, in view of the "serious evils with which the Government of India "may at any time be confronted, if matters are left as "they are, advise your Lordship to overrule the pro-"posals for the closing of the mints and the adoption "of a gold standard, which that Government, with "their responsibility and deep interest in the success "of the measures suggested, have submitted to you. "But we consider that the following modifications of "these proposals are advisable. The closing of the "mints against the free coinage of silver should be "accompanied by an announcement that, though "closed to the public, they will be used by Govern-"ment for the coinage of rupees in exchange for gold, "at a ratio to be then fixed, say 1*s.* 4*d.* per rupee, "and that at the Government treasuries gold will be "received in satisfaction of public dues at the same "ratio." Those are the words?—Yes.

12,990. You consider that that was what you all agreed upon?—We all agreed upon that.

12,991. There was a difference of opinion about the 1*s.* 4*d.* was there not?—I think Mr. Currie had some notion as to the fixity of 1*s.* 4*d.* or as to the permanency of it rather.

12,992. And Lord Farrer and Sir Reginald Welby "could not join in the recommendation contained in "the Report without at the same time recommending "that the Government of India should, in view of the "ultimate adoption of the whole of their plan, be "prepared to secure the convertibility of their token "silver currency and should with that object "accumulate a sufficient reserve of gold"?—Yes, those two members did join in that. I do not remember now whether I saw their recommendation; perhaps I did.

12,993. You did not sign it at all events?—Oh no, I dissented from it entirely then, and have done ever since.

12,994. What has been the result of that policy?—In my view the result has entirely justified the action then taken. It has secured the ends that we had in view. It has established practically by degrees—by a slow process, but it could not be done at once—what I think may be trusted as a stationary ratio between the rupee and the sovereign, and that stationary ratio is 1*s.* 4*d.* In consequence of the other steps that we recommended at the time, that has operated in the way of removing, except under extraordinary circumstances, the perennial deficit and the danger of the deficit coming on the Indian Finance Minister without any warning from causes over which he has no control whatever. He has now, like every other Finance minister, to face the possibility of deficits, but they will not arise in my view from any depreciation of the rupee in the near future.

12,995. You regard that figure of 1*s.* 4*d.* as practically stationary?—I regard that figure as practically stationary.

12,996. Will you tell us what you think are the reasons why it has risen to that figure?—I contemplated from the first that there would be a gradual rise to that figure and that we should see in India experiences analogous to what we were called upon to watch in other countries in the course of our investigations. For example, the rise in the value of the paper currency in the United States after the great war. It took some time to rise, but it rose practically from no contraction, as far as I remember—very little contraction—of the mass of currency, but, the amount being fixed in substance, the growth of transactions of the United States, which is, of course, very much more rapid and of much greater elasticity than the transactions in India could possibly be, had risen to the level requiring, you may say, the quantity of currency which was found in circulation, and that currency obtained in that way a par relation to the gold it represented.

12,997. It would be a legitimate contraction of the currency you mean?—It would not be an absolute contraction in itself. Relatively it would be a contraction, because the amount of the currency would diminish in proportion to the growth of the transactions which it had to carry.

12,998. But how would that affect this possibility? Taking your own words you say, "No addition "has been made to the amount in circulation, and with "wear and tear on one side and increasing transactions

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"on the other we have arrived at the 1*s.* 4*d.*" Now assuming the wear and tear to go on, and the transactions to go on increasing, would there not then be a danger?—No. I consider that the action that we adopted would result in the introduction of supplementary gold currency, which would not get into common circulation, any more than 50*l.* notes are in common circulation in England, or even 5*l.* notes; they are not the circulation of the poor, but the gold would come into India and would form part, although comparatively a dormant part, of the actual currency of India as much as the rupees which are in circulation; and in my view the currency would go on receiving automatic accretions as the course of trade required.

12,999. (*Sir F. Mowatt.*) Your answer contemplates that the gold should be currency as well as standard?—I think that will follow from the usual habits and modes of living of men.

13,000. I mean, you are contemplating its passing into the coinage?—It is not at all necessary that the coins should be coined in India, although that might be advantageous. It is quite sufficient if a man in India with a sovereign in his pocket knows that he can get 15 rupees for it. When that gets to be present in the Indian mercantile mind, then the gold will come side by side with rupees.

13,001. (*Chairman.*) Any increase in the currency would be obtained by the issue of 15 rupees to the sovereign?—Quite so. Just as any actual increase of our silver coinage at home is obtained by getting a profit from the mint, so the rupees, to the profit of the Indian Government, could be coined when wanted, and, if the merchants want it, it will come.

13,002. The rupee would not go above 1*s.* 4*d.* as long as its intrinsic value is below that sum?—As long as its intrinsic value is below that sum it could not go above 1*s.* 4*d.*, and, as long as the Indian Government are ready to issue rupees in exchange for sovereigns at the rate of 15 rupees to the sovereign, that fixes the limit—the upper limit.

13,003. Do you think that, having regard to the value of 1*s.* 4*d.* being fixed in the way you have pointed out, we may look to the permanency of trade movements to keep it at that value?—I think we may. The thing that was borne in upon us by our investigations on the Herschell Committee was the extraordinary way in which trade movements and banking expansion did cause a level to be sustained for which apparently there was no adequate basis. That was not only the case in the United States, but it is the case in France. But what I would suggest to the Committee that they should consider here is the fact that our own silver coinage at home, although it is only legal tender to the extent of 2*l.*, is *de facto* perfectly good for paying all debts to any amount. I am open to be instructed in the matter, but within my experience I never heard of any banker objecting to receive from his customer in the way of business any amount of silver that that customer brought to him, and, if he receives silver indiscriminately and honours the cheques which are drawn against that silver, it is only a case of carrying the silver to the bank and drawing a cheque, and the banker will say, "how will you have it?" Then you take what you get in exchange for that cheque and pay your creditor, so that, although the creditor may absolutely refuse to take from you more than 2*l.* in silver, you always, without any limit so far as I know, use your silver through that one intermediary in the payment of any debt whatever.

13,004. Practically the silver in this country is convertible?—Just so.

13,005. It is not an inconvertible token coinage?—Just so, and the circumstance that it is not a legal tender beyond 2*l.* has nothing to do with that convertibility, that convertibility is quite independent of that. It depends on the fact that the Government does not issue it beyond what is wanted.

13,006. That is what keeps it within its proper bounds?—Yes.

13,007. (*Sir F. Mowatt.*) I understand that considerably larger sums than 2*l.* in silver are continually brought to the banks?—Oh, yes, certainly. Consider what kind of account an institution like the Crystal Palace would keep with its bank. My earliest practical years were spent in a country bank. There we received from our trade customers what they had received over the counter, a large proportion of which was silver. Silver, notes, or gold, it is all one; it goes in without any discrimination to your credit.

13,008. (*Chairman.*) My House of Commons experience, which is much shorter than yours, has been this; that where the Chancellor of the Exchequer has been exposed to pressure with reference to the coinage, has been in regard to the deficiency of silver?—Just so. I may mention a fact which is of some little interest. My earliest practical years were spent in a bank in Cornwall. We received silver from our customers, but the silver was always accumulating on our hands and we were continually obliged to send away for gold. The silver was a thing that we rather wanted to get rid of. Of course, in other parts of the country, bankers would have just the contrary experience. I believe in our case it was due in large measure to the fact that silver was wanted in that neighbourhood for the purpose of payment of miners' wages, whilst the commercial travellers and others who came down into that part of the country and supplied things, took away with them the gold with which they were paid, but did not take away the silver.

13,009. There is always a great demand in a manufacturing district every week or every fortnight for silver to pay wages?—Just so. Perhaps I may give another illustration which struck myself and some other members of our Committee very much in the course of our investigations. I refer to the experience of the Austrian Government. The currency of Austria was silver, but Austrian finances being in great straits, over and over again they had issued paper, and declared paper to be inconvertible, and the inconvertible paper fell below par in silver. Then, subsequently to 1873, silver became depreciated, and depreciated so that the silver was depreciated in reference to the paper, which before had been depreciated in reference to silver. The stationary paper of the Austrian Archduchy absolutely obtained a premium over the silver that it represented; and it never seems to have occurred to the Austrian Government that they could make a profit by bringing back their paper and putting out silver so as to maintain that par. But actually we had it well established that the inconvertible paper of Austria was at a premium in respect to the silver that it represented, that inconvertible paper for many years past not being subject to any increase.

13,010. Is it not so now in the case of Russia?—It may be. That illustrates the proposition I am laying down, that an apparently arbitrary quantity of coinage in circulation can be maintained, under circumstances where one would have thought it impossible of realisation, at what has been called an arbitrary value.

13,011. That would lead you, I suppose, to the conclusion that the Indian currency is becoming more and more automatic under the present system?—I think it is.

13,012. There is, of course, a possibility that the rupee might fall?—It is impossible to say that it could not fall; it might fall under particular stress for a short time; it may certainly be said that it could not rise, and it may fall; it is impossible to deny that; but the experience of the countries to which I have referred induces me to believe that it could only fall temporarily, and that the fall would speedily be recovered. Our own past experiences would suggest that, if there happened to be an absolute scarcity of leading crops—want of exports for the whole 12 months—that might involve a temporary depreciation of the rupee in consequence of the necessity of finding something to pay outside debtors;

but I think that difficulty, if it does occur, could be met, and I really do not think it is a serious practical difficulty. It is a theoretical one rather than a practical one.

13,013. In this connexion would you say anything with reference to the French currency? As I understand, in France silver is legal tender to any amount?—Silver is legal tender to any amount.

13,014. And yet France assumes to have a gold standard?—That is so. The exchange between France and England is stationary. Of course it does fluctuate a little from day to day, but it is practically stationary, although silver is legal tender to any amount, and it is so because at present the coinage of silver is stopped, and it does not exceed what the trade of France will carry. Silver is to any extent legal tender in the United States.

13,015. There they have a gold standard?—There they have a gold standard.

13,016. Although Lord Aldenham yesterday told us that they had not?—Many of those controversies turn rather on the way in which you express facts, but as a matter of fact we, I suppose, may boast or confess that we have got a gold standard here, and I should say broadly that any country which maintained a permanent exchange with us had a gold standard too.

13,017. While we are upon this point we should like to have your view as to whether there is any difference, and, if so, what, as between the condition of India and France with reference to the possibility of a gold standard?—I do not know that there is any very great difference. The French Mint is open to gold.

13,018. And not to silver?—Not to silver, and that is practically the situation to which we have come in India. There may not be Indian mints open to gold, but, inasmuch as gold coined in England is receivable in India at a fixed relation to the rupee, it is the same thing. It is only the abolition of a little intervening space to realise an exact reproduction of the same state of things, and nothing turns upon that little intervening space.

13,019. Suppose we advance a step further. Leave silver in India unlimited tender, but also make gold a tender in India, and also make the sovereign by law equivalent to fifteen rupees; what would be the difference then?—I do not think there would be any, I should say substantially it would be a reproduction.

13,020. Is there any country which you can refer to, besides Austria and the United States and France; take the case of Russia, for instance?—I am not sufficiently acquainted with the exact situation in Russia now.

13,021. What do you say the Indian Government ought to do?—I should say, for the present at all events, and probably for a long time to come, they should do nothing, except to make it clear that they are going to maintain their present policy until some circumstances might happen, which later on I shall refer to; but at present I should say, do nothing at all.

13,022. Would you open the mints to the coinage of gold?—Yes. I consider that, although many regard it as an important fact, to be an unimportant fact. It may strike the imagination and bring it home to the people, but, if the Indian treasuries are open to the reception of gold, that is enough, it involves the other things. It is a mere matter of machinery, and I think it is probably very desirable as a matter of machinery that they should be open to gold.

13,023. I do not know whether you remember the proposition submitted to Sir Charles Wood for the reception of gold coinage in India?—That was with a view to displacing the then silver standard.

13,024. But there was a very strong opinion then on the part of the mercantile community in India that a gold currency would be popular, a great many representative bodies in India desired it?—Opinions, if I may say so with respect, appear to be generated pretty easily in India.

13,025. (*Sir F. Mowatt.*) When you say the Indian Government should express their determination to maintain their present policy, you include the gold standard as well as the closing of the mints?—We shall come to that presently, but I do regard the gold standard as established.

13,026. (*Chairman.*) For all practical purposes of internal trade in India—for the man in the street, and the man in the village, or the village shop, a gold coinage would be absolutely useless?—Oh yes.

13,027. A great portion of the transactions are carried on in copper?—Yes, annas and pice; but, as I said before, the 5*l.* note is not known to the agricultural labourer here.

13,028. Now, if the 1*s.* 4*d.* is represented, as it has been to us again and again, as an arbitrary amount, what is your answer to that?—I should say that that was selected at the time the Herschell Committee deliberated—it was probably produced by those who had it in their mind—as involving the least change consistently with satisfying what was desired, namely, the filling up of the deficit.

13,029. And avoiding additional taxation?—Avoiding additional taxation. It was a means of screwing up the rupee to a higher value, in order to get more money, as well as establishing that uniformity of exchange which was established.

13,030. Your opinion, I see, agrees with the opinion that has been expressed to us by commercial authorities, that the commercial relations between India and England have adjusted themselves now to the 1*s.* 4*d.*?—Yes, and will continue to adjust themselves. I think also I may say with respect to that question of the difficulties that may arise in remittances home from time to time, that those will be adjusted also by merchants and bankers without any call for interference on the part of the State. Our own history in the past has shown how merchants and bankers can effectuate, and have effectuated, exchanges and remittances from this country to other countries, whilst our own coinage and currency were in a deplorable condition, far below the security and stability now established in India.

13,031. You put it that a gold standard has been reached because the rupee has become equivalent to a certain proportion of the ounce of gold?—Yes. I say that the rupee now in India has practically become equivalent to the fifteenth part of a fraction which is represented by 20,000 divided by 77,875 of an ounce of gold.

13,032. Then, on the whole position of Indian finance at this moment, you would not take any further step?—No. If I were in the position of an Indian Finance Minister, I should hold my hand.

13,033. There have been several schemes put before us: Mr. Lindsay's scheme, Mr. Raphael's scheme, and the proposals, of course, of the Government of India. Have you considered those?—Yes, they are all illustrations, to my mind, of what I should call superfluous energy.

13,034. You do not believe in what is called the exchange standard?—I do not know that I understand what those words mean, but I do not believe in the necessity, or prudence, of the Indian Government undertaking to give gold in exchange for rupees; and all these schemes, as far as I understand them, are means to the result that not only shall the Indian Government be prepared to give rupees in exchange for gold, but that it shall be under an obligation to give gold in exchange for rupees.

13,035. That you do not approve of?—I do not approve of that. It is accepting an obligation which is entirely unnecessary. I cannot prefigure how much it would involve. It certainly involves some risks, which might be rather serious risks, of being on an inclined plane—you could not get back or prevent yourself from slipping lower and lower; and it does not promise any advantage which is worth the running of that risk. If I were an Indian Finance Minister, I would no more undertake to give gold in exchange for rupees than I would undertake, as

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Chancellor of the Exchequer in this country, to give sovereigns in exchange for silver. Someone has said that that is an incomplete feature of our own currency system. I do not know that we have suffered from that incompleteness. We exist under it without any complaint.

13,036. I suppose the great danger would be that gold would be obtained for rupees for the purpose of hoarding. So far as commerce is concerned, as you have already said, that would adjust itself?—Yes.

13,037. The danger would be a drain of gold which would be taken out of circulation and accumulated in India?—Yes, there is that risk—a serious risk—but the great risk I feel is in the Government undertaking a supposed duty which they are not called upon to do, which is not wanted, and which might lead them into very serious financial embarrassment.

13,038. And that, if their policy was to proceed by degrees towards the gold standard, and even to an enlarged gold currency, that would be a premature step?—Yes. I think time would bring it about, and in the history of nations, a year, or even 20 years, is not a very considerable time.

13,039. Then I need hardly ask you this perhaps—you are not in favour of opening the mints now to silver?—If I were an Indian Finance Minister, I should not venture to look at it.

13,040. If you were a merchant, would you look at it?—No, I do not think so—that is under the present situation—by itself, as an independent act of an Indian Finance Minister.

13,041. It has been said that India must have the means of remitting home and elsewhere. What is your answer to that?—My answer is, looking back as I do upon our own experience, that Indian merchants and bankers will always find the means of sending home and elsewhere—that it will be established practically automatically.

13,042. Their remittances being really made in commodities?—They will be in commodities in the ordinary way. India has not been a sender home of bullion; in fact, the movement has always been the other way.

13,043. Last year we have had the experience of a famine, and this year we have had the experience of a bountiful harvest, and practically the result seems to be the same so far as regards steadiness of exchange?—Yes.

13,044. A great failure of crops might cause a temporary banking pressure?—I admit that.

13,045. But only in currency?—I think so.

13,046. Now what do you say as to the future?—So far I have spoken from the point of view of an Indian Finance Minister, whose first care is to balance his accounts, and also who has a desire incidentally to establish a stable ratio between the rupee and the sovereign. Both of them have been secured, but, of course, those benefits have been secured at a certain price. In the interval, as is necessarily the case in the transition from one condition to another, there is a good deal of friction and some suffering involved, but those have been overcome, and I do not think we need consider now that they involve any great further danger. But the action has been done, as I said before, by screwing up the rupee to a higher ratio in relation to the £. If there were any possibility, however remote, of the same stability of relation being established by bringing down the £ instead of screwing up the rupee, that is a contingency or possibility that an Indian Finance Minister ought never to lose sight of. The cheaper the £, the better for India, and the less the weight of the gold debt upon India; and it is most desirable in the interests of India itself that that should not by any possibility be neglected. If we carry our minds back to the time before 1873, at that time silver was freely coined in India; gold was freely coined in England; but there was practically perfect stability of exchange between England and India. If there was any possibility of reproducing that situation, I believe we should all confess that that would be better than the present state of things. If, by any chance, the rupee could be again one-tenth of a £, Indian finances would be better, the burden of taxation would be lighter, and the burden on Indian trade would be less than it is, provided that is done in such a way as not to go on screwing up the rupee again and again to the £, but by possibly, as it might happen under certain circumstances, bringing down the £ into relation to the rupee.

13,047. Do you mean by that a rise in the bullion value of the rupee?—A rise in the bullion value of the rupee. The change that has happened since 1873 was not due to any action of the Indian Government; it was not due to any action of the English Government; it was due to the action of other Governments. If the other Governments saw their way, or could be induced to see their way, or could be helped to see their way, to retrace the action which they took, we should get reproduced a situation very much better than the present, and the Indian Finance Minister ought never to shut his eyes to the possibility of that being done.

13,048. Would you go a step further and say that the Indian Finance Minister ought to see whether he could in any way accelerate that?—He should keep his eyes open and, if there is any opportunity given to him, he should seize upon it. Of course it may be said that the solution of which I am speaking is quite futile—that it is a matter of the past—but, if you look back upon the past and see what forces have been raised and have not yet entirely passed away, and if you look forward to the future, I should be slow to say that anything was out of the question in respect of gold and silver. We know that the shutting of the Indian mints was ultimately precipitated—you may say ultimately determined upon—under the shadow of the possibility of American action in refusing to coin silver. Now it will be quite possible that American action might cause a reopening of the mints.

13,049. In America do you mean?—No, in India. American action might facilitate or might occasion the reopening of the mints in India and an Indian Minister ought to view the possibility of American action. I will not say he could do anything at once, but he might express himself in a way which would perhaps tend to bring about American action which would be beneficial to himself, to his finances, and to India.

13,050. In the result, what you have just been saying would come to this, would it not, that, while you would not endanger the present equilibrium, you would keep your eyesopen to see whether anything might occur which might alter the conditions?—There might arise circumstances under which it would be impossible to maintain the present situation. If the intrinsic value of silver rose so that the value of the rupee got above the 15th part of that fraction of an ounce of gold, the Indian Government could no longer offer to give rupees in exchange for gold; it would be bound at once to stop that. If the value of silver rose so that the value of the rupee came to be above 1*s.* 4*d.*, the Indian Government must at once stop giving rupees in exchange for gold, otherwise it would have gold poured in upon it and silver going out. Therefore, in view of that, the Indian Finance Minister would be quite justified and perfectly safe in saying, if anything is done which should bring the rupee up to 1*s.* 4*d.*, "The situation is changed and I must take some action"; and he might say, "If you bring up the "rupee to 1*s.* 4*d.* I must stop the issue of gold and I "shall be prepared to re-open the mints to silver as "long as it is above 1*s.* 4*d.*, upon the understanding "that they are shut the moment there are any "signs of its going below 1*s.* 4*d.*"

13,051. But you would not deal with that at present; you would not say that now?—I should keep that rather in the back of my mind, as it were. To an American Minister who came suggesting that the coinage of silver might be renewed in America, if India showed any possibility of sustaining that action, I should say, "Well, if you make silver freely coinable

in America, which must produce at once a very great change in the relative value of silver to gold, and, if that change were such as to bring up the metal in the rupee to 1*s.* 4*d.*, then we shall be prepared to sustain it by opening our mints in the same way."

13,052. The policy, in your opinion, should be to prevent the rupee going below 1*s.* 4*d.*, but of course we cannot control the future, which might take it above 1*s.* 4*d.*?—Quite so, and, if it went in that way above 1*s.* 4*d.*, it would really be a benefit to India—a distinct benefit to India, which ought never to be lost sight of.

13,053. (*Sir F. Mowatt.*) The alternative to opening the mints at that point, when the rupee reached or passed 1*s.* 4*d.*, would be to alter the rate at which you would issue rupees?—Yes; you might say 1*s.* 6*d.*, and so go on going up.

13,054. (*Sir D. Barbour.*) You referred to the rise which takes place in the value of the currency or the standard coin when the quantity is limited. It takes place, you have explained, by the growth of the country in which the coin is current?—And the wear and tear of the coin too.

13,055. By the gradual diminution of the quantity of coinage, and the general growth of the country?—Yes.

13,056. You also referred to the fall which may take place in the value of the coinage if the exports fall off very much. I suppose you would admit that a rise might take place in the value of the coin if the exports largely increased owing to good harvests, or anything of that sort. For instance, I believe it to be the case that the value of the paper currency in Argentina has risen when the exports were large?—Yes, that is possible, but that possible rise in India is checked in appearance, at all events, by the fact of the obligation to give rupees in exchange for gold.

13,057. It practically cannot rise above 1*s.* 4*d.*?—Practically it cannot rise above 1*s.* 4*d.*, although the amount of gold—really what lies at the bottom of it all is that the amount of gold represented by that particular fraction in relation to commodities, changes its value. But as between silver and gold, as long as that obligation exists to give rupees in exchange for gold at that rate, the rupee cannot, in relation to gold, rise.

13,058. When the American currency was so much depreciated at the time of the Civil War, the productive power of the country had very much fallen off owing to that war?—Yes, that is so.

13,059. And that may have been one of the causes that added to the depreciation of the currency at that time?—I do not think so.

13,060. It is a possible cause?—Yes. I do not think it did, but it is a possible cause.

13,061. Theoretically it is possible?—Yes.

13,062. And of course the removal of that cause, when the Civil War was over, would be an influence that would tend to raise the value of the currency again?—There was immense elasticity. As I have said, the natural elasticity of production in the United States is very much greater than could be the case in India, and there was a great revival of elasticity immediately after the war; but the equilisation of the paper currency after a time became gradual—continuous, but gradual; it did not go up in leaps and bounds.

13,063. Would you make gold a legal tender in India at once?—I think that is only a question of words. In my view gold is a legal tender.

13,064. Practically it is a legal tender at this moment?—Yes, I have no objection to say so.

13,065. The Government, as you are doubtless aware, will receive it in payment of Government dues?—Yes.

13,066. And the Government will give silver rupees for sovereigns?—Yes.

13,067. Or for gold?—Yes.

13,068. So that, if you owed a man 15 rupees and you offered him a sovereign, he would feel satisfied that he could go to the nearest treasury and get rupees?—Yes.

13,069. It would be the same thing as giving him a cheque which would certainly be cashed?—Yes.

13,070. Therefore for practical purposes gold is a legal tender at this moment in India?—Just so.

13,071. And the only further influence that making it a legal tender could have, would be a possible sentimental influence?—Yes, the public mind gets affected by descriptions—words.

13,072. The Government of India at present receive gold and give out rupees, and I believe the amount of gold that has been received in that way is over 1½ millions. Do you think it would be the best plan to go on receiving gold in that way and accumulating it, or would you say at once, "We will give gold as long as we have it in the treasury to anybody who brings silver rupees?" It is a question of policy whether it would be better to go on accumulating gold, or whether it would be better at once to say, "We will "let the gold go out just as we allow it to come in"?—No, I should not as yet allow it to go out. I should go on accumulating.

13,073. You would for the present go on accumulating?—Yes. I should get the greatest possible stability in the value of the rupee before I look to giving it out.

13,074. Have you formed any opinion as to what amount of gold you would require to be paid in before you began to give it out?—I do not think I have any view on that point which is worth anything. I do not think it is very much that is wanted. The experience of the Dutch East Indies struck me as very remarkable in that way—how very little gold there is in Java.

13,075. But in Java silver coins are current, which may be sent to Holland, where they are legal tender?—Yes.

13,076. And convertible into gold?—Well there is scarcely a legal obligation, I think, in Holland to do that.

13,077. But practically?—Practically it is exchangeable just as, practically, silver is exchangeable for gold here, but you look upon Java and Holland as one. It is the same currency, and even taking them together the quantity of gold is not very considerable. In Java itself the quantity of gold is very inconsiderable; I think it is under 400,000*l.* if I remember right.

13,078. Do you happen to remember exactly why the rate of 1*s.* 4*d.* was adopted by the Herschell Committee? I will tell you why I ask the question; you seem to think it was adopted because it was the minimum rate which would give the Government of India what it wanted. My recollection is rather this, that the Herschell Committee thought that, when the coinage of silver was stopped, the rupee might rise suddenly to a great height and cause inconvenience to merchants and others, and therefore they proposed 1*s.* 4*d.* as a provisional limit to any possible rise of the rupee?—That was partly in our mind, no doubt; that was a branch of the general statement—that we wanted as little dislocation as possible: and that also was part of the consideration, as well as providing what was wanted by the Finance Minister.

13,079. You will probably recollect that the original proposal of the Government of India was to close the mints to silver, not to fix any rate at that time, but to take power to declare at some subsequent period a rate not exceeding 1*s.* 6*d.*?—Yes.

13,080. And that was altered in that respect by the Herschell Committee?—Yes. We also thought it not desirable to give the Indian Government too great freedom of action in such a matter. We thought it was essential that the popular mind should be struck with permanence, and that therefore we had better adopt a basis which would probably endure.

13,081. You say you would as soon think of giving gold for silver in India as you would think of giving sovereigns in exchange for silver here, if you were Chancellor of the Exchequer. But it would be a

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very much more serious liability in India, would it not?—It would, no doubt.

13,082. In this country the quantity of silver is limited and known, and it is not more than sufficient for the requirements of the country?—Just so.

13,083. Then you say that fixity of exchange has been secured by screwing up the rupee. Of course you recognise that the old rate was 2*s.* and that, in adopting 1*s.* 4*d.*, the increased value of gold has been recognised to a large extent?—Yes.

13,084. (*Mr. Le Marchant.*) You were referring to France. Did you say that you regarded the value of the 5-franc piece as being maintained only by limitation?—Yes, practically that is so.

13,085. As a matter of fact, the Bank of France has a very large reserve of gold?—And a very large quantity of silver too.

13,086. Do you think that, if the gold in the Bank of France were replaced by an equal nominal value of silver, so that the total volume of currency remained the same, and, therefore, the limitation the same, the value of the 5-franc piece would be equally maintained?—Some alteration might be made, but of course the limitation to which I referred was the limitation of the quantity of silver. There is no legal limitation of the quantity of gold. There is at any moment a certain amount of gold in hand, but the gold may be freely bought and freely coined; therefore there is no legal limitation of the quantity of gold.

13,087. But the total amount of currency will affect the value of any part of the currency, will it not, taking gold and silver together?—That is so, yes.

13,088. Would you consider that the maintenance of the exchange value of the rupee in India would be affected by the amount of gold that might come into circulation?—Automatically, you mean?

13,089. Yes?—Oh, no.

13,090. You do not think that would bear upon it?—No, because I think the gold that would come in now automatically would only come in as the quantity of trade transactions required such an addition. Therefore the mass of the currency would be regulated by the necessities of trade, which now in my judgment work automatically.

13,091. Is not an outflow of currency necessary for any automatic system—for instance, at the time of the year when it might be in less immediate demand?—To be perfectly automatic, of course, there ought to be a free outflow as well as a free inflow.

13,092. Would not the outflow be largely assisted by the presence of an appreciable proportion of gold in India that could flow out?—I do not think, myself, that there is any great outflow from India, certainly not towards this country; there may be further East an outflow. And you may say that such outflow as there is would be facilitated by an increase in the quantity of gold in India.

13,093. So far as such gold afforded a practical convertibility, it would be an assistance in maintaining exchange rates?—Yes. I think by-and-bye, if we waited, we should find such a quantity of gold in India that the bankers themselves would be able to give gold, or at all events give exchange drafts, without any difficulty from any outflow.

13,094. But you would leave that to time?—I would.

13,095. (*Mr. Holland.*) Do you attach any importance to the contention of some witnesses we have had before us that India is greatly disadvantaged in her competition with silver-using countries by the present system?—No. I am not very much impressed with that. No doubt there are times of transition during which a country where the *entrepreneurs* of industry can pay their wages in depreciated currency enjoy an advantage in their commerce; and it may be said that India has suffered that particular disadvantage; but I regard that as rather a transitory advantage, so far as it is an advantage at all.

13,096. You contemplate, as at any rate a possibility, that, if the United States were to open their mints, it might be worth while to reconsider the question of reopening the Indian mints?—I suspect that not only would it be worth while, but it would have to be done.

13,097. Would you go so far as to suggest that the United States might be encouraged to take a step of that kind? We have had witnesses before us who have suggested that the United States should be encouraged to take that step?—I rather foreshadowed the form of encouragement which I should offer. I would take my stand on my position as a Finance Minister who has known the inconvenience of rupees falling to low level, and I would not willingly run the risk of renewing that experience; but, certainly, realising, as I do, that if the United States took action it would have an effect on the Indian currency, and that quite conceivably it might bring the value of the silver in the rupee above 1*s.* 4*d.*, I would readily declare that in that event I should be prepared to support the United States Government by action in India.

13,098. You would not put it the other way about, and reopen the Indian mints on the chance of the United States following?—I do not think an Indian Minister could afford to do that.

13,099. I understand that you differ from some of the witnesses we have had before us who favour the undertaking of the responsibility of convertibility by the Government. You are against the Government undertaking that responsibility?—Yes, I am.

13,100. If the rate of exchange were to fall owing to unfavourable conditions, would you adopt any artificial means to bolster up the rate, or would you rely solely on trade influences?—One cannot prophesy as to the future, especially in India; you may be forced by popular excitement to do things which your own judgment does not approve, but I should be disposed to rely on the self-adjusting action of trade.

13,101. (*Mr. Campbell.*) With regard to convertibility, although you say you would not undertake the responsibility of such a step, would you go so far as to say that, even if you had a sufficient quantity of sovereigns in the Treasury, you would refuse to exchange them at the rate of 15 rupees to the sovereign?—Oh, no; if I had a sufficient quantity of sovereigns I might easily do it. It is a thing that I should regard as a matter of convenience to myself.

13,102. It would be optional on your part?—I would not bind myself to do it.

13,103. Then the position would be very much the same as it is in France?—Yes.

13,104. Then suppose the exchange, owing to an adverse trade balance, were to fall below 1*s.* 4*d.*, and the Treasury held a considerable amount of sovereigns, would you propose that these should be utilised to liquidate the home charges, in preference to the Secretary of State selling his Council bills below the 1*s.* 4*d.*?—Well, I should be indisposed to give any opinion as to what I would do under the circumstances, until they arose. I should like to know how long a period had passed before the crisis, and the amount I had in hand, and what the immediate prospects were of a recovery, and so on. I should look upon my position as a banker, and consider whether the movement was one likely to lead to a greater dislocation, or one that you might safely take as relieving a short emergent crisis.

13,105. (*Sir F. Mowatt.*) But you would regard the operation as legitimate if it suited the Government at the time?—Yes.

13,106. (*Mr. Campbell.*) In paragraph 135 of the Herschell Committee's Report, it is stated that, "It "is impossible, in view of these considerations, not to "come to the conclusion that to close the mints for "the purpose of raising the value of the rupee is open "to much more serious objection than to do so for "the purpose of preventing a further fall." Now, when that Report was written, the value of the rupee was 1*s.* 2$\frac{1}{4}$*d.* Can you explain why, looking to that declaration, a rate of 1*s.* 4*d.* was adopted, which was 8 or 9 per cent. above the rate ruling at the time?—

We did not adopt any limit as a thing to be at once established. We adopted a limit beyond which we thought it imprudent that the rupee should be artificially sprung up.

13,107. And 1*s.* 4*d.* was that limit?—Exactly.

13,108. I suppose it was recognised that in all probability the closing of the mints, especially if followed by the repeal of the Sherman Act, would lead to a great fall in the price of silver?—Yes.

13,109. And that would accentuate the difference between the intrinsic silver value of the rupee, and its artificial value?—Yes.

13,110. Now, we know what has occurred—that there is a fall in the value of silver to the equivalent of 10*d.* or 11*d.* per rupee. Looking to that, do you still think that 1*s.* 4*d.* was a suitable rate to have adopted?—Oh yes. I do not think the subsequent fall in the value of silver at all affects the question.

13,111. Then do you admit that there might be disadvantages in pushing the artificial value of the rupee too high above its intrinsic value?—Oh yes, there certainly are. The question is whether it is too high.

13,112. The difference between 11*d.* and 1*s.* 4*d.*, you think, is not too high?—But the artificial value of the rupee has not been pushed from 11*d.* to 1*s.* 4*d.* The value of the rupee when the pushing began, was above 11*d.* We have not changed the situation in India in degree from 11*d.* to 1*s.* 4*d.*, but from 1*s.* 2½d., or something like that, to 1*s.* 4d.

13,113. With the Indian mints closed to silver, and no fresh currency obtainable, except from gold at the Government ratio, would you admit that the monopoly rupee must, in course of time, rise to any ratio the Government choose to fix?—The Government might go on, undoubtedly. It might alter the 1*s.* 4*d.* to 1*s.* 6*d.* or 1*s.* 8*d.*, or even 2*s.*, if they resolutely refused to give out rupees in exchange for gold, and the rupees shrank in quantity; it might take some time, but they might do it.

13,114. Would you consider that the fact of exchange having risen in response to this in the course of four or five years, is itself a proof that the 1*s.* 6*d.* or 1*s.* 8*d.*, or whatever it might be, is a proper limit?—No. I do not see how it bears on the question whether it would be a proper limit. I do not think I understand that question.

13,115. Exchange has risen to 1*s.* 4*d.* in the course of five years, and I understand you to say that that proves to your mind that 1*s.* 4*d.* was justified?—Well, I think it may be said to be so.

13,116. Then I put it to you, suppose the Government had adopted 1*s.* 8*d.*, and in the course of two years hence the rate had risen to 1*s.* 8*d.*, would that have been equally a proof that 1*s.* 8*d.* was justified?—No, I do not think it would. You have to take into consideration the change which you are introducing between the classes in India, and the change which you are introducing in respect of the public debt in India, and generally in respect of the economic situation in India; and you would not be justified in trying, by reducing the quantity of rupees and giving an artificial value to rupees, to screw it up to 1*s.* 8*d.* or 2*s.*

13,117. Do you believe the raising of the rupee above its intrinsic value is a tax upon production?—The raising of the rupee above its intrinsic value is a tax not merely upon production; in its process it may have been a tax on production; it is an additional tax on the agriculturists and the rent payers.

13,118. The producing classes?—So far as they are the producing classes, yes. It increases the burden of rent, undoubtedly.

13,119. (*Sir D. Barbour.*) You talk about the rupee being pushed up from 1*s.* 2½*d.* to 1*s.* 4*d.* You are, no doubt, aware that, a short time before the mints were closed, it had been 1*s.* 4*d.*?—Yes.

13,120. And even higher?—Yes.

13,121. So that it was only retracing a portion of the fall that had taken place in the preceding years?—Yes. I am afraid I should have to add, in order to make that complete, that, judging by the outside circumstances, I do not think it would have risen again from 1*s.* 2½*d.* to 1*s.* 4*d.*, if it had not been for what we did.

13,122. (*Chairman.*) It has been suggested to the Committee by Lord Northbrook that, should there be a surplus in India on the current financial year, that surplus should be used as a nucleus for a gold reserve. What are your views on this matter?—I cannot say that I have considered this proposal, but it is apparent at once that it proceeds from a point of view which I have rejected. I look to the currency being automatically regulated and reserves accumulated in the ordinary course of banking business. I should therefore discourage the intervention of Government by such an appropriation of the anticipated surplus, which I should prefer to see dealt with on ordinary lines of policy.

The witness withdrew.

Adjourned.

INDIAN CURRENCY COMMITTEE, 1898.

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(6.) Objections that were made to the policy, (*Mackay*) 60, 516–8; (*Adam*) 7752; (*Cheetham*) 8683; (*Graham*) 9027–37; (*Cruickshank*) 9339–41; (*Rustomjee*) 9723; (*Giffen*) 10,049–50; (*Aldenham*) 12,732.
(7.) Proposal made by Government of India, and rejected by Home Authorities, in 1879, (*Giffen*) 10,025–6, 10,045–8, 10148.
(8.) Public opinion in India, (*Mackay*) 44–52, 491–515, 690–1; (*MacDonnell*) 5830–4; (*Raphael*) 6571; (*Acworth*) 7561–2: (*Cheetham*) 8779–87.

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,, price of (*O'Conor*) 939, 1130–6, 1610.

Coinage of gold in India, suggested, (*Northrook*) 8,428–30, 8,539–42; (*Macleod*) 12,946–7; (*Courtney*) 13,022.
,, of silver in India before 1893, (*Mackay*) 728–32.
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Confidence in maintenance of exchange, (*Mackay*) 279–80, 485–90, 575–82; (*Arthur*) 1697–9; (*Finlay*) 3040–3; (*Lindsay*) 3336–9, 4091, 4096; (*Ralli*) 5961; (*Raphael*) 6531–2; (*Montagu*) 6619; (*Steel*) 7078–80, 7125–6; (*Adam*) 7947–51.

Contraction of currency. *See* "Currency."

Convertibility of the rupee, (*Arthur*) 1749–55, 1778–96, 1836–44, 2152–66, 2334–49; (*Lindsay*), *passim*, (*Cox*) 5062–4; (*Vincent*) 5490–1, 5715; (*Montagu*) 6663–5; (*Probyn*) 6852–3, 6995–7; (*Steel*) 7195–9; (*Rothschild*) 7695–6; (*Cameron*) 8270; (*Northbrook*) 8424–5, 8431–6, 8438–40, 8480–4, 8526; (*Cheetham*) 8759–64, 8800–23, 8944–56; (*Graham*) 9089–93, 9334 (*note*); (*Cruickshank*) 9392–3; (*Galloway*) 9923; (*Giffen*) 10,104, 10,108, 10,205–24, 10,291–300, 10,304–10; (*Lubbock*) 11,044–5, 11,117, 11,133, 11,165–71, 11,177, 11,223–9; (*Bois*) 11,287; (*Barclay*) 11,537, 11,540; (*Farrer*) 12,201–8, 12,221, 12,244, 12,257–75, 12,283; (*Darwin* 12,569–76; (*Aldenham*) 12,778–80, 12,909; (*Macleod*) 12,938; (*Courtney*) 12,992–3, 13,034–7, 13,081–2, 13,099, 13,101–5.
,, ,, ,, proposed guarantee of British Government, (*Hely Hutchinson*) 5191, 5231–2, 5255; (*Farrer*) 12,237–9, 12,250–6; (*Aldenham*) 12,780.

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,, ,, China and India, (*Mackay*) 327–41; (*O'Conor*) 1118–24, 1148–9; (*Cheetham*) 8738–44, 8916–26, 8979–80; (*Cruickshank*) 9597, 9642–6; (*Rustomjee*) 9,736; (*Macdonald*) 12,334–60, 12,465–73, 12,485–7, 12,493–514.
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,, of India, alleged contraction of, since 1893, (*Mackay*) 734-5; (*O'Conor*) 994, 1107, 1171, 1175, 1192, 1353-61, 1476, 1584-5; (*Arthur*) 1675, 1868-71; (*Harrison*) 2457-65; (*Finlay*) 2531-2, 2637-40, 2760-95, 2831-5; (*Lindsay*) 3322-31; (*Ralli*) 5923; (*Graham*) 9197-9, 9243-7.
,, ,, alleged redundancy of. *See* "Redundancy."
,, ,, alleged scarcity of, (*Mackay*), 702, 707, 712, 748-9, 754, 777; (*O'Conor*) 1367; (*Lindsay*) 4097-9, 4161; *MacDonnell* 5844-57, 5896-7, 5899; (*Ralli*) 5924-32, 6053-8, 6073-86, 6220-56; (*Steel*) 7070; (*Mackenzie*) 10,377-85, 10,396,10,400, 10,497.
,, ,, contraction of, effect on balance of trade, (*Lindsay*) 3829-34, 3860-3, 3905, 3907, 3931-3, 3938; (*Ralli*) 6371-6.
,, ,, ,, ,, exchange, (*Finlay*) 2696-706, 2825, 3200-1; (*Lindsay*) 3964 (*Northbrook*) 8473-4; (*Courtney*) 12,996-7, 13,054-60.
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,, ,, increase of, since closing of mints, (*Mackay*) 648-55; (*Finlay*) 2767.
,, ,, notes (*O'Conor*) 1354; (*Northbrook*) 8493-6. *See also* "Notes" *and* "Paper Money."
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,, ,, growth of, (*Waterfield*) 4393, 4420; (*Dutt*) 10,716-27.
,, ,, paid in produce, (*Mackay*) 223-8; (*Arthur*) 2006-21; (*Finlay*) 2819-24; (*Lindsay*) 3837-8; (*Ralli*) 6330-2; (*Giffen*) 10,050-60.
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,, ,, relation to rate of exchange. *See* "EXCHANGE VALUE OF THE RUPEE: Relation to rate of discount."
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,, issue of silver coins, (*Seymour*) 11,350-80, 11,436-48, 11,480-3, 11,498-504; (*Farrer*) 12,181-8; (*Aldenham*) 12,794-8.
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,, standard, advantages and disadvantages of, (*Lubbock*) 11,049, 11,130, 11,144, 11,172.
,, ,, definition of, (*Lubbock*) 11,048.
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(A.) Causes by which it is determined, (*Marshall*) 11,788-90, 11,824.
(B.) Divergence from intrinsic value, (*Mackay*) 75-90, 93-9, 233-4, 287-8, 385-7; (*O'Conor*) 923-7, 1029-32: (*Finlay*) 2504-9.
,, ,, ,, effect on competition with silver-using countries, (*Mackay*) 237-8; (*Christie*) 4465, 4565, 4571, 4615-9, 4759-60, 4799-800; (*Ralli*) 5990; (*Coke*) 8141; (*Northbrook*) 8570; (*Cheetham*) 8738-46, 8843-51; (*Rustomjee*) 9736; (*Giffen*) 10,290; (*Barclay*) 11,686; (*Duncan*) 11,887-8, 11,893-906, 11,952; (*Farrer*) 12,194; (*Aldenham*) 12,732; (*Courtney*) 13,095.
,, ,, ,, ,, Indian trade generally, (*O'Conor*) 839-40.
,, ,, ,, ,, trade with silver-using countries, (*O'Conor*) 821, 855, 857; (*Cheetham*) 8768-9; (*Rustomjee*) 9736; (*O'Conor*) 12,056-7.
(C.) Effect of fixed maximum under present conditions, (*Vincent*) 5475; (*Coke*) 8057-76; (*Cameron*) 8262-70, 8333-4; (*Rustomjee*) 9829-31.
(D.) Effect of instability, (*Cox*) 4972-4, 5046-50, 5130-44, 5169-74; (*Vincent*) 5634, 5713; (*Ralli*) 6110; (*Raphael*) 6530; (*Adam*) 7805, 7904; (*Galloway*) 9881, 9993; (*Giffen*) 10,370-1; (*Mackenzie*) 10,459-61; (*Lubbock*) 11,050, 11,071-2; (*Farrer*) 12,166. *See also* "CAPITAL: Effect of stable exchange in attracting," *and* "Stability of Exchange."
(E.) Effect of a rise or fall:—
(1.) Classes affected, (*O'Conor*) 1388-95, 1586-95; (*Finlay*) 2971-2, 2984-94, 3220-4; (*Ralli*) 5916, 5938-51, 6087-98, 6278-89; (*Montagu*) 6687, 6689-91; (*Steel*) 7110-24; (*Adam*) 7806-7, 7832; (*Northbrook*) 8568, 8571-4; (*Graham*) 9310-4; (*Giffen*) 10,050-60 (*Marshall*) 11,849-51; (*Duncan*) 11,949; (*Darwin*) 12,539-40; (*Aldenham*), 12,919.

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(E.) Effect of a rise or fall—*cont.*
(2.) Effect on cost of production, (*O'Conor*) 942–57, 1097–8; (*Arthur*) 1713–7, 1831–5, 1990–1, 2068–77; (*Christie*) 4452–61; 4610, 4750–2, 4820–50; (*Ralli*) 5989, 6037–8, 6137–9; (*Acworth*) 7401, 7433; (*Coke*) 8105; (*Galloway*) 9885.
(3.) ,, export trade, (*Mackay*) 153–5, 239, 246; (*O'Conor*) 1243–6, 1250, 1283–7, 1324; (*Arthur*) 2324–5; (*Lindsay*) 3332–4; (*Ralli*) 5916, 5935, 6037–8, 6154–64, 6299–301, 6338; (*Montagu*) 6688–90; (*Steel*) 7339, 7341–3; (*Rothschild*) 7706–7; (*Adam*) 7769, 7905, 7936–46; (*Coke*) 8020–1; (*Northbrook*) 8396; (*Cheetham*) 8733–5, 8905–11; (*Graham*) 9084, 9150–8, 9190–3; (*Cruickshank*) 9386, 9397, 9509–22, 9533–4, 9620–6; (*Galloway*) 9885–7; (*Giffen*) 10,289; (*Marshall*) 11,792, 11,834–43; (*Duncan*) 11,940–3; (*O'Conor*) 12,120–3; (*Farrer*) 12,194, 12,197–8.
(4.) ,, financial position of Government of India, (*Mackay*) 784–7; (*Arthur*) 1806–7; (*Finlay*) 2515–25, 2933–4; (*Lindsay*) 3919–20, 4149–51; (*Waterfield*) 4396–418; (*Raphael*) 6442–3; (*Steel*) 7251–3; (*Cheetham*) 8324–35: (*Graham*) 9042–5, 9178–81, 9187–8; (*Rustomjee*) 9753–5; (*Giffen*) 10,050–60, 10,080, 10,167–72, 10,174–7; (*Dutt*) 10,643, 10,647, 10,653, 10, 667–8; (*Lubbock*) 11,072, 11,075–6; (*Marshall*) 11,786; (*O'Conor*) 12,077–96.
(5.) ,, import trade, (*O'Conor*) 1247–9, 1252–5, 1283–7, 1324; (*Lindsay*) 3332–4; (*Ralli*) 5916, 6338; (*Adam*) 7807, 7864–7, 7936–46; (*Graham*) 9194; (*Cruickshank*) 9400–4, 9633, 9698–718; (*Galloway*) 9888; (*Duncan*) 11,980–92.
(6.) ,, money-market. *See* "Stringency in India since closing of Mints."
(7.) ,, prices, (*Mackay*) 130–1, 137, 139, 143–50; (*O'Conor*) 848–50, 1038–40, 1304–6, 1391–5; (*Arthur*) 2326–9, 2331; (*Lindsay*) 4296–7; (*Cox*) 5085–7, 5090, 5147–9; (*Ralli*) 5938, 5947, 6169–73, 6257–84; (*Steel*) 7097, 7099–101, 7349; (*Acworth*) 7605–9; (*Adam*) 7806, 7833–5, 7911–6, 7996; (*Coke*) 8021, 8043, 8122–5; (*Cheetham*) 8734–5, 8839–42; (*Graham*) 9037, 9053, 9058, 9160–73, 9237–42, 9321–4; (*Cruickshank*) 9390, 9553, 9627–8; (*Galloway*) 9890–2; (*Giffen*) 10,286–7; (*Dutt*) 10,643–8; (*Marshall*) 11,788–90, 11,824; (*Farrer*) 12,197–8.
(8.) ,, profits, (*Christie*) 4461; (*Cox*) 5111–4; (*Ralli*) 5916; (*Dutt*) 10,646; (*Lubbock*) 11,152; (*Duncan*) 11,877.
(9.) ,, spread of cultivation; (*Ralli*) 6162–3, 6391–404; (*Cheetham*) 8734–5; (*Graham*) 9192–3; (*Cruickshank*) 9554, 9630; (*Giffen*) 10,288.
(10.) ,, taxation. *See* "Taxation."
(11.) Limit of alleged benefit from fall in exchange, (*Cheetham*) 8736–7; (*Graham*) 9065–7; (*Cruickshank*) 9390, 9551; (*Bois*), 11,240.
(F.) Effect of maintenance at rate of 1*s.* 4*d.*, (*Mackay*) 235; (*Arthur*) 1983; (*MacDonnell*) 5823, 5829; (*Ralli*) 6026–44; (*Acworth*) 7564–7; (*Mackenzie*) 10,477–83; (*Duncan*) 11,922.
(G.) Fall from 1873, (*Mackay*) 7–22; (*Montagu*) 6622–5.
,, ,, effect on volume of trade (*O'Conor*) 806–22.
(H.) Question of possibility of maintaining rate of 1*s.* 4*d.* under present conditions, (*O'Conor*) 993; (*Arthur*) 1872–82; (*Probyn*) 6969–75; (*Steel*) 7079; (*Adam*) 7926–7; (*Courtney*) 13,003, 13,012, 13,030–1.
(I.) Rate that would be reached if mints were re-opened, (*Steel*) 7155; (*Cameron*) 8390–3; (*Northbrook*) 8401–3; (*Cheetham*) 8692, 8790; (*Rustomjee*) 9734; (*Bois*) 11,274; (*Aldenham*) 12,834–6; (*Macleod*) 12,932.
(J.) Relation to balance of trade, (*Arthur*) 2012–37, 2242–51; (*Finlay*) 2664–80, 2707–8, 3045–53, 3128–9; (*Lindsay*) 3824–9; (*Vincent*) 5687–9; (*Ralli*) 6339–52, 6417–8; (*Steel*) 7323–7; (*Adam*) 7830–1; (*Cruickshank*) 9386; (*Marshall*) 11,815–18.
(K.) ,, ,, price of silver, (*Probyn*) 7053–5; (*Steel*) 7155–61, 7241.
(L.) ,, rate of discount, (*Lindsay*) 3502–11; (*Raphael*) 6584–5; (*Steel*) 7242; (*Rothschild*) 7730; (*Cameron*) 8271–3, 8336; (*Rustomjee*) 9743; (*Marshall*) 11,807–13.
(M.) ,, volume of currency, (*Finlay*) 2788–30; (*Lindsay*) 3465; (*Probyn*) 6979–81.

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(N.) Rise from 1894–5 to 1897–8, (*O'Conor*) 989–92.
(O.) Since closing of mints, affected by exceptional causes, (*Mackay*) 100–5, 245, 600–34; (*O'Conor*) 830–1, 989–94, 999–1025; (*Arthur*) 1883–5; (*Finlay*) 2573–636, 2796–813, 2836–46, 2869; (*Ralli*) 5957–60; (*Adam*) 7928–9; (*Northbrook*) 8458–64.
(P.) Since closing of the mints, has fluctuated, (*Giffen*) 10,082–9.
(Q.) Under gold standard:—
(1.) Limit of 1*s.* 6*d.* recommended by Government of India in 1892, (*Mackay*) 34–7, 562–5; (*Finlay*) 2547–8.
(2.) No permanent rate has been chosen, (*Mackay*) 567–70; (*Arthur*) 1948–57; (*Finlay*) 2554–63; (*Cox*) 5058–9; (*Vincent*) 5541; (*Probyn*) 7033–7; (*Giffen*) 10,153–5.
(3.) Rate that should be adopted, (*Mackay*) 138; (*Arthur*) 1797–803, 2238–41, 2252–74; (*Finlay*) 3038–60, 3130–79; (*Lindsay*) 3405–21, 3719–27, 3812–9, 3923–4, 4062, 4269–70; (*Cox*) 5118; (*Vincent*) 5509–10, 5539–40, 5692–3; (*Ralli*) 6353–7; (*Raphael*) 6466, 6484–5, 6526–8, 6600; (*Montagu*) 6685; (*Probyn*) 6866–71, 6880–98, 7000, 7033–8; (*Rothschild*) 7614; (*Coke*) 8017–9, 8150–61; (*Cameron*) 8192, 8226–8, 8262–9; (*Northbrook*) 8437, 8457–66, 8509–17, 8543; (*Graham*) 9262–8; (*Cruickshank*) 9387–91, 9422–5; (*Rustomjee*) 9729, 9738, 9746–50; (*Giffen*) 10,276–7; (*Mackenzie*) 10,569–71, 10,574; (*Bois*) 11,287; (*Marshall*) 11,787; (*Duncan*) 11,880–7, 11,928–30; 12,006–7; (*Farrer*) 12,192, 12,289–91, 12,309, 12,314–27; (*Darwin*) 12,537–9, 12,588; (*Macleod*) 12,941–3.
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Increase from 1873 to 1893, (*Raphael*) 6440.
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Famine in India in 1896 and 1897, effect on exchange, money-market, and trade, (*Mackay*) 190–205, 232, 241, 371, 619–20, 773, 796; (*O'Conor*) 835, 989, 1251, 1358–9; (*Arthur*) 1883, 2049–53; (*Finlay*) 2604–7, 2848–56; (*Lindsay*) 3297, 3302; (*MacDonnell*) 5752, 5901–3; (*Northbrook*) 8396, 8512.
Farrukhabad rupees, coinage of, (*O'Conor*) 1398–401; (*Lindsay*) 3865–8, 3909–12; (*Rustomjee*) 9819–22.
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,, Imports and exports of, (*O'Conor*) 904–9, 1060, 1164–5, 1180–7, 1228–40, 1273–8, 1473–5, 1596–8; (*Lindsay*) 3634–6, 4187–8; (*Vincent*) 5484, 5521, 5524–6, 5529–31; (*Ralli*) 5979; (*Rothschild*) 7614, 7616, 7618, 7641, 7667–8; (*Adam*) 7966–7; (*Coke*) 8041; (*Northbrook*) 8452; (*Graham*) 9110–1; (*Giffen*) 10,240–2, 10,267–9, 10,360–3.
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(3.) Raising of gold loan and transmission of gold to India, (*Finlay*) 2645, 2648–50, 2659, 3095, 3104–20; (*Probyn*) 6928–34, 6993; (*Rothschild*) 7634; (*Giffen*) 10,271–5; (*Lubbock*) 11,097.
(4.) Rate of 1*s.* 4*d.* the rupee, (*Finlay*) 3038–60, 3130–79; (*Giffen*) 10,126; (*Lubbock*) 11,055, 11,062, 11,216–8. *See also* "Exchange value of the rupee under Gold Standard," *and* "Gold Standard for India: value to be assigned to the rupee."
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(2.) Rupees, (*Mackay*) 746–7; (*Harrison*) 2427, 2434–7, 2449–55; (*Finlay*) 2785–8; (*Lindsay*) 3608–10; (*MacDonnell*) 5769, 5783, 5885; (*Probyn*) 6990; (*Northbrook*) 8396; (*Cheetham*) 8809–10; (*Rustomjee*) 9752; (*Giffen*) 10,205–11, 10,216–24, 10,308; (*Mackenzie*) 10,393, 10,588–97; (*Dutt*) 10,693, 10,878–81; (*Aldenham*) 12,787.

(3.) Uncoined Silver and Ornaments (*Mackay*) 551–4, (*O'Conor*) 912; (*MacDonnell*) 5769, 5783–4; (*Northbrook*) 8396; (*Mackenzie*) 10,394; (*Dutt*) 10,692, 10,694, 10,856–8, 10,878–81; (*Barclay*) 11,580–6, 11,659; (*Aldenham*) 12,781.

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Hoards, return of rupees from, (*O'Conor*) 1354; (*Harrison*) 2451–5, 2468–70; (*Finlay*) 2527, 2582–4; (*MacDonnell*) 5886–8; (*Rustomjee*) 9804–7.

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(1) Of Government rupees, alleged increase in (*Mackay*) 259–62; (*O'Conor*) 919–22, 1398–402; (*Lindsay*) 3864–8; (*Ralli*) 6065–72, 6377–86; (*Coke*) 8046–8; (*Northbrook*) 8444–5; (*Cheetham*) 8957–8; (*Cruickshank*) 9421; (*Rustomjee*) 9795–7, 9811, 9819–22; (*Galloway*) 10,008–14; (*Mackenzie*) 10,492–3, 10,614–8; (*Dutt*) 10,817; (*Barclay*) 11,688–98; (*O'Conor*) 12,018–21.

,, ,, ,, (2) of rupees of Native States, (*Lindsay*) 3865, 4077, 4181–6, 4188.

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Import duties, (*O'Conor*) 1438–46, (*Arthur*) 1809–10; (*Finlay*) 2596, 2940–2; (*Ralli*) 6004–5, 6008–9, 6125–6, 6312–20; (*Steel*) 7211–2; (*Rothschild*) 7728; (*Northbrook*) 8411–2; (*Graham*) 9050, 9114–7, 9232–3; (*Cruickshank*) 9397–8; (*Giffen*) 10,075–9, 10,354–6; (*Mackenzie*) 10,434–6; (*Duncan*) 11,880, 11,908–11, 11,953–5.

,, ,, influence of, on maintenance of gold standard, (*Steel*) 7299–301; (*Marshall*) 11,828.

,, ,, suggestion that they should be payable in gold, (*Montagu*) 6722; (*Northbrook*) 8430; (*Macleod*) 12,947, 12,974–7.

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,, ,, Manchester goods, (*O'Conor*) 1413–7; (*Ralli*) 6127; (*Adam*) 7807; (*Graham*) 9133–5.

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,, ,, effect on, of high exchange, (*Cruickshank*) 9359–60, 9418–20.

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(1.) Effects of, (*Barclay*) 11,598, 11,636, 11,705, 11,715–6; (*Aldenham*) 12,841, 12,879–904 12,924; (*Courtney*) 13,046–8.

(2.) Possibility of, (*Adam*) 7979–80; (*Northbrook*) 8449, 8492; (*Graham*) 9229–30, 9248–51; (*Barclay*) 11,598, 11,646–56, 11,699; (*Farrer*) 12,162; (*Macdonald*) 12,492; (*Aldenham*) 12,841, 12,844–6, 12,874–904; (*Courtney*) 13,048–51, 13,096–8.

(3.) Ratio that should be adopted, (*Barclay*) 11,711–5, 11,734, 11,749–50; (*Aldenham*) 12,843–4.

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Effect of rise or fall in exchange on amount of, (*Dutt*) 10,643, 10,650, 10,662–7, 10,691, 10,903–11, 11,019–26.

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Based on Ricardo's proposals in 1819, (*Lindsay*) 3350–9, 3680–2, 3736–44; (*Macleod*) 12,937.

Gold standard offices to be established in India and England, for issue of sterling drafts payable in England in exchange for rupees, and of rupee drafts in exchange for sterling, (*Lindsay*) 3380–8, 3731–5, 4035–41; (*Vincent*) 5503–6; (*Adam*) 7782, 7836–9; (*Coke*) 8034; (*Northbrook*) 8425; (*Graham*) 9334 (*note*); (*Cruickshank*) 9387, 9647–9; (*Giffen*) 10,127; (*Lubbock*) 11,099; (*Farrer*) 12,224–6; (*Darwin*) 12,568; (*Aldenham*) 12,815.

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Gold standard reserve, replenishment of, by melting down rupees, (*Lindsay*) 3395–8, 3466–7, 3683–9, 3769, 3788–804, 4042–5; (*Vincent*) 5499–502; (*Raphael*) 6456–8, 6533–6; (*Montagu*) 6674; (*Adam*) 7782.

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Similar scheme suggested for Ireland by Parliamentary Committee in 1804, (*Lindsay*) 3368–78.

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Madras, public opinion in, as to closing of mints, (*Mackay*) 47, 690–1.

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Ornaments, gold, use of, (*Probyn*) 6919–21, (*Rothschild*), 7673–5, 7681.

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,, ,, sale of, during famine, (*Mackay*) 163–76, 695–7; (*MacDonnell*) 5767–9, 5836–42; (*Mackenzie*) 10,391; (*Dutt*) 10,841–4, 10,867–76, 10,882–4; (*Barclay*) 11,612.

,, ,, taken to mints before 1893, (*Mackay*) 162–3; (*MacDonnell*) 5765–6.

,, ,, use of, (*O'Conor*) 912–8; (*MacDonnell*) 5769, 5885; (*Northbrook*) 8444; (*Galloway*) 9910; (*Mackenzie*) 10,391; (*Dutt*) 10,856; (*Barclay*) 11,582–4.

,, use of rupees as, (*Lindsay*) 3865, 3869–71, 4228–31; (*Galloway*) 9911; (*Mackenzie*) 10,392.

Paper money, use of, in India, (*Lindsay*) 3607, 3997, 4163; (*Probyn*) 6986–7; (*Rustomjee*) 9867–8; (*Darwin*) 12,638–9.

Plague in India, effect of, on trade, (*Mackay*) 796; (*O'Conor*) 836.

Planters of Southern India opposed to closing of mints, (*Mackay*) 52, 57–9.

Population of India, (*O'Conor*) 1189, 1213–5, 1573–5.

Poverty of India, alleged, (*Arthur*) 1689–95, 1748, 2007; (*Northbrook*) 8447; (*Giffen*) 10,113, 10,238–48; (*Marshall*) 11,793.

Presidency banks, balances of, (*Lindsay*) 3288, 3311–20, 3437–40, 3638–49, 4131–8; (*Northbrook*) 8450–1.

,, ,, Suggested amalgamation of. *See* "Bank of India."

Prices:

(1.) Connection between rupee prices and sterling prices, (*Mackay*) 128; (*O'Conor*) 850–3, 1035–9, 1082; (*Arthur*) 2084–6; (*Graham*) 9168, 9170; (*Cruickshank*) 9390; (*Marshall*) 11,772, 11,788–90.

(2.) Connection between rupee prices and rate of exchange, (*Mackay*) 129–31; (*O'Conor*) 846–9, 1040–1, 1304, 1493; (*MacDonnell*) 5812; (*Ralli*) 5947, 6257–84; (*Steel*) 7097, 7099–101, 7349; (*Acworth*) 7494–6, 7530–2, 7605–9; (*Adam*) 7911–6; (*Cheetham*) 8839–42; (*Graham*) 9053, 9058, 9170; (*Cruickshank*) 9390; (*Giffen*) 10,286–7; (*Mackenzie*) 10,508–9; (*Dutt*) 10,643–8, 10,654–5; (*Lubbock*) 11,053.

(3.) Connection between sterling prices and rate of exchange, (*Arthur*) 1746–7, 1938–47; (*Lindsay*) 3823, 4296–7; (*Adam*) 7833, 7996; (*Coke*) 8043, 8122–5; (*Graham*) 9160, 9171–3, 9237–42; (*Cruickshank*) 9560; (*Farrer*) 12,197–8.

(4.) Effect on prices in India of closing of mints and introduction of gold standard, (*O'Conor*) 1467; (*Arthur*) 2176; (*Finlay*) 3195–8; (*Lindsay*) 3961, 3973, 3985–7, 4119; (*Northbrook*) 8396; (*Graham*) 9198–9; (*Cruickshank*) 9453–6, 9465–6.

(5.) General movements of prices in India, (*Mackay*) 112–4, 124–5, 538–9, 631, 636–8; (*O'Conor*) 1171, 1357–61, 1603–4; (*Finlay*) 2789–93; (*MacDonnell*) 5772–4, 5777, 5808–9, 5813–22, (*Acworth*) 7478–9; (*Graham*) 9080–3, 9088, 9321–34; (*Cruickshank*) 9535–49, 9680–90; (*Marshall*) 11,770—2, 11,799; (*Duncan*) 11,864–7, 11,872–4; (*O'Conor*) 12,143–51.

(6.) Influence of prices on rent, (*MacDonnell*) 5748–9; (*Northbrook*) 8582.

(7.) Price of opium, (*Mackay*) 118–20, 540–2.

(8.) Price of silver. *See* "Silver."

(9.) Prices of exports, (*O'Conor*) 850, 996–7, 1034; (*Marshall*) 11,772.

(10.) ,, food-grains, (*O'Conor*) 850, 883, 893–5, 1492–4; (*MacDonnell*) 5722–8, 5744, 5799, 5824–7, 5900; (*Acworth*) 7524–9; (*Cheetham*) 8732; (*Graham*) 9080–3; (*Cruickshank*) 9541–6; (*Mackenzie*) 10,335, 10,501, 10,545 10,626–7; (*Dutt*) 10,648, 10,651–3, 10,658–70, 10,948–69; (*O'Conor*) 12,143–4.

(11.) ,, imports, (*Mackay*) 126–7; (*O'Conor*) 1495; (*Acworth*) 7419–25, 7543–9; (*Marshall*) 11,772.

(12.) Relation between volume of currency and prices, (*Lindsay*) 4190–9; (*Giffen*) 10,118–23, 10,192–6; (*Marshall*) 11,759–62.

See also "Currency, Contraction of."

Probyn (Mr. L. C.) Scheme for Establishing a Gold Standard in India:

Gold currency to be avoided, (*Probyn*) 6849–51, 6874–9.

Issue of notes for 10,000 rupees in exchange for gold, to be cashed in gold, (*Probyn*) 6858, 6983.

,, ,, of small denominations in exchange for gold or rupees, (*Probyn*) 6858.

Notes of small denominations, how payable, (*Probyn*) 6858, 7004–25.

Reserve of gold, amount of, (*Probyn*) 6864–5, 7001.

,, ,, to be kept in the form of bars, (*Lindsay*) 4298–300; (*Probyn*) 6858, 6863.

Rupees, convertibility of, (*Probyn*) 6858, 6874–9.

Value to be assigned to rupee, (*Probyn*) 6866–71, 6880–98, 7000, 7033–8.

Public opinion in India as to proceedings of Indian Currency Committee, (*Dutt*) 10,776–7.

,, ,, ,, on currency questions, (*Rustomjee*) 9817–8. *See also* "Bombay," "Chambers of Commerce," "Madras."

Quantitative theory of money. *See* "Prices: relation between volume of currency and prices."

RAILWAYS IN INDIA:
- Effect on trade, (*O'Conor*) 1382–4; (*Raphael*) 6440, 6537; (*Cruickshank*) 9523–6, 9540; (*Dutt*) 10,728–42, 10,797–805; (*Duncan*) 12,009 (*note*).
- Raising of capital for, (*O'Conor*) 1577–83, 1614–6; (*Finlay*) 2598–601, 2614–6, 2620–3, (*Rothschild*) 7614, 7657–65; (*Dutt*) 10,728–36; (*Lubbock*) 11,095, 11,219.
- Revenue from, (*Mackay*) 247; (*O'Conor*) 1500, 1576; (*Steel*) 7102, 7207–8, 7214–5; (*Graham*) 9056–7, 9127–9; (*Giffen*) 10,060–4, 10,066–7, 10,069–75, 10,350–3; (*Mackenzie*) 10,437–41, 10,603–6; (*Dutt*) 10,751–60, 10,970–80; (*O'Conor*) 12,085.

RAPHAEL (Mr. H. L.), SCHEME FOR STEADYING EXCHANGE BETWEEN INDIA AND ENGLAND:
- Government to buy and sell transfers at rate of 1s. 4*d.* with ½ per cent. commission, (*Raphael*) 6459, 6480, 6484–8.
- Profit on issue of fresh silver currency to be added to gold reserve, (*Raphael*) 6459.
- Reserve in form of power to issue Treasury Bills up to 15,000,000*l.*, (*Raphael*) 6459.
- Reserve, supplementary, of 5,000,000*l.* in gold at Bank of England, (*Raphael*) 6459, 6508–9, 6519–21; (*Montagu*) 6639, 6680–2.
- Sale of Council Bills under the scheme, (*Raphael*) 6459, 6482.

Rates for carriage in India, effect on, of variations in exchange, (*Galloway*) 9900–1, 9997–10,007. *See also* "Railways in India, revenue from."

Ratio between rupee and sovereign. *See* "Exchange value of the rupee under gold standard."

REDUNDANCY OF CURRENCY:
- (1.) At present time, alleged, (*O'Conor*) 1107; *Arthur*, 1891–4; (*Harrison*) 2475–6, 2532–3, 2537–40; (*Finlay*) 3005–36, 3210–3; (*Lindsay*) 3323–4; (*Cox*) 5009–10; (*Vincent*) 5475, 5633; (*Ralli*) 6369; (*Steel*) 7095–6, 7 318; (*Rothschild*) 7688; (*Coke*) 8134; (*Giffen*) 10,122–5.
- (2.) At time of closing of mints, alleged, (*Mackay*) 109, 750–3; (*O'Conor*) 1354; (*Finlay*) 2528–9, 2532, 3182–4, 3187–9; (*Lindsay*) 3288, 3916–8; (*Ralli*) 5917–20, 6206–19, 6368; (*Coke*) 8009, 8014–5, 8082–6.
- (3.) How tested, (*Mackay*) 682, 700–2; (*Finlay*) 2916–22, 3181–9; (*Lindsay*) 3303–8, 3805–9; (*Vincent*) 5630, 5707–9; (*Graham*) 9334 (*note*); (*Giffen*) 10,124; (*Aldenham*) 12,868–9.

Remittance of capital from India. *See* "Capital."

Remittances from India, annual amount of, (*Mackay*) 590–2; (*Finlay*) 2814–8; (*Waterfield*) 4360–84.
" " *See also* "Council Bills."

Rents in India, affected by exchange value of rupee, (*Dutt*) 10,649, 10,668.
" " *See also* "Prices: Influence of prices on rent."

Reopening of mints, (*O'Conor*) 928–32, 1176–9; (*Arthur*) 1646–73, 1742–3, 2350–3; (*Lindsay*) 3341–4; (*Christie*) 4572, 4575–85; (*Cox*) 4989–91; (*MacDonnell*) 5778–82; (*Ralli*) 5971–83, 6012–25, 6045–8, 6117, 6308; (*Raphael*) 6441, 6496, 6591–4; (*Montagu*) 6627–31; (*Probyn*) 6841–4; (*Steel*) 7081–4, 7093–4, 7107–9, 7128–55, 7273–5, 7302–13, 7328–9; (*Acworth*) 7416; (*Rothschild*) 7613; (*Adam*) 7780–1, 7803, 7822–5, 7859, 7978–82; (*Coke*) 8022–3; (*Cameron*) 8185–6; (*Northbrook*) 8397–400, 8454–6; (*Cheetham*) 8685–6, 8693–4, 8707–10, 8824, 8839, 8872–3; (*Graham*) 9039–40, 9059, 9068, 9334 (*note*); (*Cruickshank*) 9394; (*Rustomjee*) 9732, 9814–6; (*Galloway*) 9933–6; (*Giffen*) 10,128–9, 10,137; (*Mackenzie*) 10,410–2; (*Lubbock*) 11,056, 11,142, 11,154; (*Duncan*) 11,914; (*Farrer*) 12,164; (*Darwin*) 12,531–4; (*Aldenham*) 12,871–2; (*Macleod*) 12,930–2; (*Courtney*) 13,039–40.
See also "EXCHANGE VALUE OF THE RUPEE: Rate that would be reached if mints were re-opened" *and* "SILVER: price of, if mints were re-opened."

Rice, exports of, (*Mackay*) 343; (*Cox*) 5034, 5078–9; (*O'Conor*) 12,109–14.

Rise in exchange. *See* "Exchange value of the Rupee."

Rupee currency, position of, as legal tender under gold standard, (*Vincent*) 5602, 5614; (*Northbrook*) 8426–7, 8431–3, 8476–8, 8523, 8531; (*Bois*) 11,287, 11,306–11; (*Macleod*) 12,940, 12,947.
" " volume of, (*Mackay*) 60–74; (*O'Conor*) 901, 903; (*Harrison*) 2406, 2410, 2414–5, 2484; (*Graham*) 9104–7.
" " " how tested, (*Harrison*) 2396–405, 2407–9, 2411–2, 2416–26, 2445–8.

Rupee debt of Government of India. *See* "CLOSING OF INDIAN MINTS: Effect on value of rupee debt of Government of India"; *and* "GOLD STANDARD FOR INDIA: Effect on rupee debt of Government of India."

Rupee, proposal to increase amount of silver in, (*Giffen*) 10,134–6.

Russia, monetary system of, (*Lindsay*) 3600, 3982–3; (*Ralli*) 6402–4; (*Montagu*) 6640–3, 6647–51, 6698–710, 6718–20, 6733–9; (*Rothschild*) 7613–4; (*Giffen*) 10,039–42, 10,118–20.

Salt duty, possibility of increase, (*O'Conor*) 1424–7; (*Steel*) 7064–5, 7209. 7216–22; (*Adam*) 7987–9; (*Northbrook*) 8414; ((*Mackenzie*) 10,423–5; (*Dutt*) 10,656–7.

Salt, imports into India, (*Cruickshank*) 9404, 9577–83.

Savings banks in India, (*Lindsay*) 3611–2; (*Raphael*) 6565–7.

Scarcity of currency, alleged. *See* "Currency."

Schemes for establishing a gold standard in India. *See* "Bois (Mr. H.)," "Darwin (Major L.)," "Lindsay (Mr. A. M.)," "Macleod (Mr. H. D.)," "Probyn (Mr. L. C.)," "Raphael (Mr. H. L.)."

Scotland: manufacturers and dyers, views on currency question, (*Galloway*) 9947.
" *See also* "Glasgow" *and* "Jute."

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Seignorage on coinage of rupees, (*Christie*) 4576–7, 4581, 4811, 4870–7; (*Lubbock*) 11,056, 11,084, 11,209–11.

Sherbrooke (Lord), proposals for introduction of gold standard into India, (*Probyn*) 6854–7.

Sherman Act, (*Mackay*) 15.

SILVER:
- Bullion and ornaments, fall in rupee price of, since closing of mints, (*Mackay*) 75–6, 157–76, 322–6, 543–54, 779–80; (*Finlay*) 2588; (*MacDonnell*) 5767–8, 5785–7, 5839–40; (*Probyn*) 6990; (*Steel*) 7291–6; (*Northbrook*) 8396; (*Graham*) 9027–34; (*Dutt*) 10,692–8, 10,824–30, 10,845–50; (*Barclay*) 11,642–4; (*Aldenham*) 12,732, 12,829.
- Coinage of, in England. *See* "England."
- Cost of production, (*Ralli*) 5954–6, 6059–65; (*Steel*) 7149–54; (*Dutt*) 10,806–13; (*Duncan*) 11,932–5; (*Macleod*) 12,932.
- Fluctuations in value of, since 1873, (*Mackay*) 7–20; (*Giffen*) 10,032–6, 10,138–50, 10,229–35.
- Hoarding of. *See* "Hoarding in India."
- Import duty on, (*Lindsay*) 4075, 4079, 4219–26; (*Christie*) 4572, 4576–85, 4811–2, 4943–9; (*Rothschild*) 7613–4, 7643–4; (*Adam*) 7791; (*Coke*) 8038–9, 8118–21, 8137–40, 8165–7; (*Cameron*) 8206–8; (*Northbrook*) 8444–6; (*Rustomjee*) 9735; (*Dutt*) 11,005–9; (*Lubbock*) 11,055–70, 11,158–64, 11,184–6, 11,190–200, 11,203–8.
- Imports into India, (*Mackay*) 121–2, 449–51, 519–20, 606–7, 724–6; (*O'Conor*) 910–1, 1061–9, 1101–4, 1354, 1474; (*Finlay*) 2526, 2578, 2589–91; (*Lindsay*) 4076, 4186; (*Steel*) 7230–8; (*Rothschild*) 7642, 7669–72; (*Coke*) 8039–40; (*Cheetham*) 8730–1, 8964–72; (*Rustomjee*) 9798–803, 9813; (*Dutt*) 10,845.
- International agreement for coinage of. *See* "International agreement for coinage of silver."
- Ornaments. *See* "Ornaments."
- " price of. *See* "Silver Bullion" and "Ornaments," *above*.
- Price of, effect on exchange, (*Probyn*) 7053–5; (*Steel*) 7155–61, 7241.
- " if mints were reopened, (*Ralli*) 6012–24; (*Raphael*) 6591; (*Montagu*) 6630, 6635–8; (*Steel*) 7084, 7297–8; (*Adam*) 7778, 7820; (*Northbrook*) 8403; (*Cheetham*) 8686–92, 8702–6, 8884–5; (*Graham*) 9060–3, 9218–27; (*Lubbock*) 11,085–94, 11,155–7; (*Macleod*) 12,932.
- Production of, (*Mackay*) 15, 520; (*Steel*) 7137–41; (*Rothschild*) 7616; (*Aldenham*) 12,880, 12,891–2.
- Speculation in. *See* "Speculation."
- Surplus stock held in Germany and Holland, (*Montagu*) 6636, 6693–7; (*Rothschild*) 7614.

Silver-using countries, competition with India, (*O'Conor*) 1462–6. *See also*: "CHINA: Effect on competition with India of divergence between rupee and silver," "EXCHANGE VALUE OF THE RUPEE: divergence from intrinsic value, effect on competition with silver-using countries," *and* "TEA: competition of China and Japan with Ceylon and India."
" " trade with India, (*O'Conor*) 821, 855, 857, 863.

Speculation in exchange, (*Ralli*) 6290; (*Graham*) 9107–8.

,, ,, silver, (*Mackay*) 519–20, 724–6; (*Coke*) 8023; (*Rustomjee*) 9808–10, 9812; (*Barclay*) 11,618.

Stability of exchange, (*O'Conor*) 1144–6, 1169; (*Arthur*) 1666–7, 1687–8, 1748, 2039–40; (*Lindsay*) 3718, 3851; (*Christie*) 4532–4, 4536–7, 4780–8, 4905; (*Cox*) 4993–4, 4998–5000, 5098; (*Vincent*) 5585–6, 5622–3; (*Ralli*) 5936–7, 6048–52; (*Raphael*) 6460–2; (*Montagu*) 6690; (*Steel*) 7195; (*Rothschild*) 7624; (*Northbrook*) 8399; (*Cruickshank*) 9383; (*Aldenham*) 12,847–8.

,, . *See also* "Capital, effect of stable exchange in attracting."

,, gold and silver as measures of value, (*Giffen*) 10,131–3, 10,229–35; (*Lubbock*) 11,074, 11,185.

Statist, criticism of currency policy of Government of India, (*O'Conor*) 12,077–96.

Stores, purchase of, for India, (*O'Conor*) 12,086–9.

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Stringency in Ceylon, (*Christie*) 4664, 4765, 4862.

,, ,, countries in which the currency has been contracted, (*Giffen*) 10,089.

,, ,, India, anticipated in 1898–9, (*Ralli*) 6177–84; (*Cheetham*) 8727–8; (*Graham*) 9077–9; (*Cruickshank*) 9377–9; (*Rustomjee*) 9757–8.

Stringency in India since closing of Mints:

A. Causes of:

(1.) Borrowing by Government, (*Lindsay*) 3297.

(2.) Extension of joint stock enterprise, (*Lindsay*) 3297, 3484, 3492.

(3.) Famine and war, (*Mackay*) 773; (*O'Conor*) 1194; (*Lindsay*) 3297; (*Cheetham*) 8992, 9011.

(4.) Management of Government balances; (*Vincent*) 5627.

(5.) Reduction in sale of Council bills, (*Finlay*) 2857; (*Lindsay*) 3297, 3462; (*Cheetham*) 8993–7; (*Rustomjee*) 9745.

(6.) Transfer of currency from trade and banking centres, (*Arthur*) 2305–9; (*Finlay*) 2847–55; 2925–6; (*Cheetham*) 8992–9002.

(7.) Want of confidence in maintenance of exchange under present conditions, (*Mackay*) 279–80, 485–90, 575–82; (*Arthur*) 1738–40, 2039–43; (*Lindsay*) 4096; (*Vincent*) 5634, 5680–1, 5707; (*Steel*) 7245–9; (*Coke*) 8013; (*Cheetham*) 9006–7; (*Rustomjee*) 9844–58.

(8.) Want of currency, (*Arthur*) 2223–4, (*Adam*) 7754, 7846, 7952–5; (*Cameron*) 8182, 8298–315, 8366–71; (*Cheetham*) 8713–8; (*Barclay*) 11,566–73.

(9.) Want of loanable capital, (*Mackay*) 286–7, 484, 525–8, 571–4, 587, 703–4, 707–8, 711; (*O'Conor*) 1173–5; (*Arthur*) 1676, 2038, 2105–7, 2208–13; (*Lindsay*) 4097, 4099, 4161; (*Steel*) 7076, 7243; (*Adam*) 7845; (*Coke*) 8168–70.

B. Effect on prices (*Ralli*) 6387–90.

C. Extent of (*Mackay*) 305–6, 310–1, 3704; (*O'Conor*) 1193–7, 1201–3, 1368–9, 1613; (*Arthur*) 1730–40, 1967–75, 1992–2005, 2087–126, 2208–21; (*Finlay*) 2903–15, 2927–9; (*Lindsay*) 3309–30, 3627, 3633, 3708–12, 3895–7; (*Cox*) 5010; (*MacDonnell*) 5750–64, 5844–50; (*Ralli*) 5916, 6177–84, 6306, 6321–8; (*Coke*) 8008–13, 8077–81; (*Cameron*) 8181; (*Northbrook*) 8490, 8554, 8559, 8564–6; (*Cheetham*) 8711–2, 8720–2, 8727–31, 8772–7, 8793–5, 8860–8, 8886–903, 8931–6; 8981–4; (*Graham*) 9040, 9069–79, 9109. 9138–43, 9189; (*Cruickshank*) 9374–7, 9380–2, 9463–7; (*Rustomjee*) 9724, 9726, 9759–67, 9823–8; (*Galloway*) 9902–8, 9976–9; (*Mackenzie*) 10,377, 10,496, 10,576–9; (*Lubbock*) 11,144–6.

Suez Canal, influence on trade of India, (*Raphael*) 6538; (*Adam*) 7862; (*Cruickshank*) 9523.

Sugar, imports into, and production in, India, (*Cruickshank*) 9400–2, 9569–76, 9637–41; (*Dutt*) 10,707, 10,792–3.

Taxation in India, effect on, of fall or rise in exchange, (*Cheetham*) 8825–35; (*Graham*) 9043–5, 9179–80, 9184; (*Giffen*) 10,050–1, 10,056–60; (*Mackenzie*) 10,507; (*Dutt*) 10,639, 10,643–67, 10,912–40.

,, ,, increase from 1873, (*O'Conor*) 1479, 1611–2; (*Arthur*) 1660–2; (*Adam*) 7863; (*Northbrook*) 8408–9; (*Cheetham*) 8766–7; (*Graham*) 9174–7, 9180–6; (*Mackenzie*) 10,443–4; (*O'Conor*) 12,077.

Taxation in India, possibility of further increase (*O'Conor*) 1418–61, 1501–37; (*Arthur*) 1659, 1808; (*MacDonnell*) 5781–2, 5792, 5795, 5858–70, 5882–4, 5892; (*Ralli*) 6001–11, 6125–35; (*Steel*) 7102–4, 7109, 7200–22; (*Acworth*) 7573–82; (*Adam*) 7774, 7986; (*Northbrook*) 8401, 8404–7, 8410–6; (*Cheetham*) 8837–9, 8874–7; (*Graham*) 9050–7; (*Giffen*) 10,050, 10,060, 10,075–9; (*Mackenzie*) 10,413–36.

Tea:

(1.) Acreage cultivated by companies in Ceylon, (*Christie*) 4448, 4798, 4851.

(2.) Capital invested in estates in Ceylon, (*Christie*) 4522, 4529.

(3.) ,, ,, ,, ,, profit on, (*Christie*) 4508, 4530–1, 4564, 4730–9, 4747–9.

(4.) ,, ,, ,, India, (*MacDonnell*) 4794; (*Acworth*) 7506, 7563.

(5.) Competition of China and Japan with Ceylon and India, (*O'Conor*) 1125–9, 1463; (*Christie*) 4465, 4539–58, 4565, 4640–2, 4647–54, 4688–99, 4759–64, 4799–801, 4853–5, 4882–96; (*Ralli*) 5994; (*Acworth*) 7393–6, 7403–8, 7433, 7456–64, 7518–21; (*Cameron*) 8285–6; (*Northbrook*) 8498–500, 8570; (*Thompson*) 8592–7, 8620–3, 8651–65, 8671–2; (*Cheetham*) 8747–9, 8797–9; (*Cruickshank*) 9597, 9600–4; (*Galloway*) 9914–5; (*Mackenzie*) 10,466–9; (*O'Conor*) 12,152; (*Macdonald*) 12,362, 12,369–75, 12,479–84.

(6.) Condition of the planting industry in India, (*Arthur*) 1711–2; (*Cheetham*) 8796; (*Cruickshank*) 9346–9, 9617–22; (*Mackenzie*) 10,462–75, 10,510–1, 10,530–44.

(7.) Consumption of Indian and Ceylon tea in markets outside the United Kingdom, (*Christie*) 4547, 4586, 4644–7; (*Acworth*) 7409–13, 7457; (*Thompson*) 8600–9; (*O'Conor*) 12,152.

(8.) Cost of production, (*Christie*) 4452–7, 4509–21, 4605–10, 4750–2; (*Acworth*) 7397–402, 7433.

(9.) Effect of exchange on cost of production, (*O'Conor*) 942–57, 1097; (*Arthur*) 1713–7, 1831–5, 1990–1, 2068–77; (*Christie*) 4817–50; (*Acworth*) 7401; (*Coke*) 8105; (*Thompson*) 8614–8, 8625–9, 8668; (*Cruickshank*) 9358, 9413–4, 9442–89, 9608–16; (*Bois*) 11,259, 11,276–7.

(10.) ,, on industry of adoption of gold standard and fixing exchange at 1*s.* 4*d.*, (*Mackay*) 418–48; (*Arthur*) 1718, 1724–6; (*Christie*) 4461–2; (*Ralli*) 6137–9; (*Northbrook*) 8498; (*Cruickshank*) 9343–5, 9356–7, 9408–9, 9437; (*Mackenzie*) 10,462; (*Lubbock*) 11,152; (*Bois*) 11,255–6, 11,292.

(11.) Exports from Ceylon, (*Mackay*) 462–3; (*Christie*) 4476–500, 4756–7, 4911–23; (*Thompson*) 8593–4, 8613, 8640, 8673.

(12.) ,, ,, India, (*Mackay*) 206–8, 415; (*O'Conor*) 877, 1468–9; (*Acworth*) 7465–9; (*Thompson*) 8593–4, 8613, 8640, 8673.

(13.) Growth of planting industry in Ceylon, (*Christie*) 4429–30, 4587–91, 4637–9, 4790–2, 4863–8; (*Ralli*) 5994; (*Coke*) 8102–4; (*Thompson*) 8630–3, 8666, 8673.

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APPENDIX.

MEMORIALS, MEMORANDA, AND MISCELLANEOUS PAPERS.

Papers relating to INDIA.

A.—Letters from Indian Chambers of Commerce, Commercial Associations, &c.

No. 1.

LETTER from the MADRAS CHAMBER OF COMMERCE.

The Chamber of Commerce,
Madras, 19th May 1898.

SIR,

I HAVE the honour to state that the Madras Chamber of Commerce has taken into earnest consideration the Government of India's Notification Accounts and Finance / Mint, No. 2048 A., dated 4th May 1898, published in a *Gazette of India Extraordinary* of the same date, containing papers on the subject of the establishment of a gold standard in India, and setting forth the Government of India's proposals with regard to the same. The Chamber considers it to be its duty to lose no time in laying before the Indian Currency Committee its strong disapproval of these proposals and its reasons for this disapproval. The Chamber is astonished to find that in the face of what has occurred during the last two years, and especially during the last six months—namely, the extreme stringency of the money market, and the universal outcry and demand for the adoption of measures to relieve this stringency—the Government of India should now put forward proposals involving the immediate withdrawal of ten crores of rupees from the currency, of which six crores are to come from the outside public. The Chamber cannot understand how Government has failed to see that to carry out such a scheme would in all probability cause a most serious financial crisis and widespread ruin.

2. The Chamber observes that Government chooses to assume *ab initio* that the currency at present is unduly redundant; but this hypothesis the Chamber cannot accept. It would remark, however, that one advantage of the Lindsay scheme, which Government has rejected, is, that it would leave to natural causes to show whether this is or is not the case. If it is, then under the scheme rupees would flow in gradually probably and automatically, to buy gold at the Government minimum of 1*s.* 3$\frac{3}{4}$*d.*, and when they reached a certain amount they might, if necessary, be legitimately melted and sold for gold to replace the gold reserve. The Chamber's belief, however, is that there is no redundancy of currency, and that as soon as confidence in the efficacy of the Lindsay scheme was established, which the Chamber believes would not take long, gold would flow in which could be used not to attempt the Sisyphean task of establishing and maintaining a gold coinage, but to buy silver for coinage to replenish what would have been found to be the unduly contracted currency.

3. It seems to the Chamber that the dominant note throughout the whole of the Government Despatch of the 3rd March is that the volume of the currency must be made to be consistent with a 1*s.* 4*d.* rupee, and that if it is not consistent with this it is redundant and must be contracted. But the Chamber ventures to think that a sounder argument is the volume of the currency must be consistent with the requirements of trade and the prosperity of the country, and to endeavour to secure a 1*s.* 4*d.* rupee at the expense of these would be an unwise and fatal policy.

4. It has already been proved that by the artificial contraction of the currency exchange can be temporarily forced up to the 1*s.* 4*d.* level; but so far this has worked not good but evil, for no one believes—or will believe until a minimum is established—in the stability of exchange, and consequently capital has flowed from, instead of to, the country ever since the maximum rate was reached. If the Government proposals were adopted no doubt for a time exchange would be kept at 1*s.* 4*d.* by the undue contraction of the currency which they involve and the extreme stringency of money which would prevail; but no confidence would be created. Rather the reverse, as public opinion would not tolerate permanently the evils flowing from a contracted currency.

5. The following figures will show the large withdrawals of capital from India which have necessitated the high bank rates ruling during the past two yeasr The figures are taken from the last published statements of the Presidency Banks in March 1896 and March 1898, which may be taken as the height of the busy season :—

——	Government Deposits.	Other Deposits.	Advances.	Cash.
1896 -	407,00,000	1,135,00,000	1,268,00,000	542,00,000
1898 -	368,00,000	886,00,000	1,106,00,000	387,00,000
Decrease	39,00,000	249,00,000	162,00,000	155,00,000

These figures speak for themselves; and when it is considered that at the end of March 1898, the ordinary surplus balances of the Government in their Reserve Treasuries in Calcutta, Madras and Bombay, apart from the balances with the Presidency Banks, amounted to over three crores, it is evident that these balances which are taken by the Government from their revenue collections are kept locked up to increase stringency and thereby force up exchange.

6. The Government objects to the Lindsay scheme on account of its possible expense. The Chamber is confident that to establish permanently a gold coinage on the lines of Government's scheme would cost far more than the 20,000,000*l.* that Government contemplates, and that to carry out the Lindsay scheme 20,000,000*l.* would be more than sufficient. Moreover the Chamber believes that a large majority of authorities in India consider that a gold coinage is unsuitable to this country, apart from the probably enormous expense of establishing it.

7. Another objection to the Government scheme is that to throw at once a huge quantity of silver on the market would further reduce the price of that metal, thereby seriously injuring both producers in their competition with silver standard countries and the great mass of holders of silver in India.

8. In conclusion, the Chamber would again advocate the adoption of the Lindsay scheme or some modification of it for the reasons already stated in its letter to the Government of India, which is quoted on page 9 of the *Gazette Extraordinary* of the 4th May, and would respectfully press on the Currency Committee the urgent necessity for the prompt adoption of measures to relieve the present tension in India, which is universally felt to have become intolerable.

9. I have the honour to confirm the following telegram despatched by the Chamber to the Committee on the 17th instant :—

> "Madras Chamber of Commerce strongly protests against adoption Government India Currency proposals involving violent contraction currency which disastrous to trade necessities and prosperity country. Approves Lindsay scheme or modification. Letter follows."

I have the honour to be,
Sir,
Your most obedient servant,
(Signed) GEORGE G. ARBUTHNOT,
Chairman.

To the Secretary,
Indian Currency Committee,
India Office, London.

No. 2.

LETTER from the BENGAL CHAMBER OF COMMERCE.

Bengal Chamber of Commerce,
Royal Exchange Building, Calcutta,
16th June 1898.

SIR,

I AM directed by the Committee of the Bengal Chamber of Commerce to address you with reference to the proposals of the Government of India for the establishment of a gold standard in India, as set forth in Despatch No. 70 of 3rd March 1898, from the Government of India, Finance and Commerce Department, to Her Majesty's Secretary of State for India,

published with accompanying papers in the *Gazette of India Extraordinary*, dated Simla, 4th May 1898.

2. In view of the paramount importance of the establishment of a sound currency system in India in the interests of trade and commerce, and of the country generally, the Committee lost no time in placing the proposals of the Government of India before their members for their consideration. So far as the Committee have been able to ascertain the opinions of members, they are almost entirely opposed to the introduction of the scheme which has been submitted to the Secretary of State by the Government of India. Although a considerable number of the members of the Chamber are not prepared, for various reasons, to express their opinions on currency matters, the Committee feel they are justified in taking those they have received as fairly representing the views of the majority of members with regard to the Government proposals. The Committee now direct me to refer more particularly to those points in the scheme which appear to members to be open to grave objection.

3. Before, however, proceeding to do this, I am instructed by the Committee to draw attention to certain statements made by the Government of India in their communications to the Secretary of State which, they think, are calculated to convey an erroneous impression with regard to the attitude taken by this Chamber. The first of these is contained in paragraph 26 of the Despatch already alluded to, in which the Government of India write as follows, in respect of letters addressed to them by the Bengal, Bombay, and Madras Chambers of Commerce:—"We think, there-"fore, that we may expect their support in the "measures we propose, though neither the Bengal "Chamber nor the Bombay Chamber has declared in "favour of any particular scheme to secure the object, "and the Madras Chamber has supported, with some "modifications, the proposals of Mr. Lindsay to which "we allude below."

As a matter of fact the Bengal Chamber of Commerce has always carefully refrained from either proposing, or supporting, any particular scheme for solving the currency difficulty. This attitude has been taken up by the Chamber in consequence of the great diversity of opinion among its members. At the same time, although members are divided as to the best course to be pursued to set the currency of the country on a sound basis, they are, so far as their views are known, practically unanimous in condemning the proposals now put forward. In this connexion I am also instructed by the Committee to refer to a statement, in paragraph 2 of Despatch No. 92 of 24th March 1898, from the Government of India, Finance and Commerce Department, to the Secretary of State for India, in which the Chamber is again committed to an opinion on mistaken grounds, an address delivered by the Hon. Mr. Allan Arthur, the then President of this Chamber, at the annual general meeting of members held on the 28th February last, being quoted as an expression of opinion on the part of the Chamber. It is understood, under the rules of the Chamber, that the remarks of the President, in his annual address, shall not be taken as necessarily representing the views of the Chamber.

4. The principal basis of the proposals made by the Government of India for the establishment of a gold standard, appears to be indicated in paragraph 9 of the Despatch of 3rd March in which it is laid down that one of the main reasons of the failure to accumulate that reserve of gold which is a necessary preliminary to the establishment of a gold standard is that "our "rupee circulation had, before the closing of the "Mints, been increased to such an extent that it fully, "and more than fully, supplied all the demands of "trade, and allowed no room for any further addition "in the form of gold." The Government of India consider that "the remedy for this state of things is "to remove from circulation as money, so much of the "increases which were made to the circulating medium "immediately before 1893 as we may find to be "redundant," and they propose to do this as indicated in paragraph 11 of the Despatch, by melting down existing rupees, having first provided a reserve of gold for the double purpose of taking the place of silver, and to establish confidence in the issue of their measures. The proposals, stated briefly, are to melt down annually, until such time as the object sought for shall be attained, 10 crores of rupees of coined silver, placing the same upon the market for sale, and to reduce by this amount the actual rupee circulation of the country, an operation which Government do not regard as likely to have any important permanent effect on the silver market adding, "even if we were "under any obligation to give weight to such con-"sideration." This proposal is viewed with alarm and mistrust by members of this Chamber. It is felt that the currency is already sufficiently contracted, and that further contraction with the continued scarcity of loanable capital, cannot fail to raise the rates of interest—already abnormally high—in India. The high rates of interest which have ruled for prolonged periods in each of the last two years, have proved not only a serious inconvenience, but a hindrance to trade, more especially internal trade, and if such conditions continue, and become intensified, there is every reason to fear that commercial disaster may ensue.

5. The opinion of the Government of India that the annual sale of six crores worth of silver will not have any important permanent effect on the silver market, has been received with surprise in mercantile circles. The general opinion appears to be that such an operation would be almost certain to lower the price of silver, including the silver in the hands of the natives of the country. This further depreciation of silver, while the nominal value of the rupee remains at 16*d.*, must increase the divergence between the exchange value and the metallic value of the rupee, and, in the opinion of producers generally, it would seriously affect the trade of India with silver countries direct, and with gold countries in competition with silver currency countries.

6. After a careful perusal of the Government scheme, the Committee cannot trace in it any guarantee for the future convertibility of the rupee, notwithstanding that the main object of the Government policy is, presumably, to secure fixity of exchange. Under these circumstances it is felt very strongly that the proposals of the Government will fail to inspire that confidence in the future of exchange, which it is absolutely necessary should exist, if the evils resulting from the proposed forced contraction of currency, which have been already alluded to, are to be minimised by the introduction of fresh capital into the country. The Committee while fully recognising that the attainment of fixity of exchange is an object of primary importance in the interests of the Government finance, and of foreign trade, are of opinion that it is equally necessary that the supply of currency should be automatically responsive to the current requirements of trade.

7. The Committee note that the proposals of the Government of India include not only the introduction of a gold standard, but also the establishment of a gold currency; although in paragraph 30 of the Despatch of 3rd March, it is stated that the actual issue of gold coins by Government is not contemplated, either for Treasury purposes, or in payment of currency notes, until the measures taken actually result in the establishment of the value of the rupees at 16*d.*, and the use of sovereigns to some extent, however small, as a permanent part of the circulation. In the opinion of many members of this Chamber a gold currency is entirely unsuited to the requirements of this country, and from the terms of the Despatch the Government of India themselves appear to regard it in the light of an uncertain experiment surrounded with difficulties which are not likely to be solved for a considerable time.

8. In conclusion the general opinion of the mercantile community of Calcutta, so far as the Committee have been able to ascertain it, is that the cost of the measures proposed by the Government of India would be much greater than is estimated, that the period of transition would be indefinitely prolonged, and that the result would, for many years to come, diminish rather than strengthen, confidence in the minds of English capitalists and investors.

I have, &c.

W. Parsons,
Secretary.

To Robert Chalmers, Esq.,
Secretary to the Indian Currency
Committee, London.

No. 3.

Letter from the Bombay Chamber of Commerce.

Sir, 17th June 1898.

I have the honour, by direction, to wait upon you with a copy of a letter addressed by the Committee of the Bombay Chamber of Commerce, to the Government of Bombay, on the subject of the Indian Currency,

which I have to request you to lay before the Indian Currency Committee.

I have, &c.
JOHN MARSHALL,
Secretary.

Robert Chalmers, Esq.

Enclosure to No. 3.

Chamber of Commerce,
Bombay, 6th June 1898.

SIR,

UNDER date of 2nd March 1898 I had the honour to lay before you, for the information of the Government of India, the views which this Chamber entertained respecting the unsatisfactory position of the currency and the critical state of financial pressure throughout the country, and advocating as the most desirable means of ascertaining and deciding upon sound remedial measures the appointment of a Committee of Inquiry on the lines of the Herschell Committee of 1893.

2. Since then the Government of India's despatch to Her Majesty's Secretary of State for India, dated 3rd March 1898, has been made public, and to consider the proposals therein submitted a Committee has been appointed, which (although the terms of reference, especially as to the possibility of a return to the silver standard, are less explicit than this Chamber would have desired) nevertheless practically meets its suggestion.

3. On the proposals embodied in that despatch the views expressed in anticipation in my letter of 2nd March render detailed criticism unnecessary, but lest it might be assumed that the arguments adduced by the Government of India in support of their proposals had in any way affected or modified those views, I am directed to state that, far from supporting, as the Government of India anticipated, the measures for securing stability of exchange proposed in their despatch, or believing that the adoption of those measures would have the effect of overcoming the distrust on the part of the public in the future of the rupee, this Chamber is diametrically opposed to the views expressed in the despatch and to the principle on which the Government of India's proposals are based, namely, forced contraction of the currency.

4. The Chamber cannot but view with the gravest apprehension a proposal to melt down the existing currency until it becomes "even at the most inactive time of trade" inadequate for the ordinary requirements of the country in the expectation that gold will thereby be forced into circulation.

5. The Herschell Committee in recommending that rupees should be given in exchange for gold at a fixed ratio relied upon this measure as "leaving the volume of rupee currency dependent on the wants of the people of India," but the experience since gained, especially during the last five months, has shown that this provision for the expansion of the currency has been practically inoperative in spite of the great strain the money market has undergone, the reason being, the Chamber submits, that as the ratio at which gold is exchangeable for rupees fixes the maximum gold value of the rupee and no guarantee is given of its minimum value, gold will never be tendered until all other possible means of finance have been exhausted. The conclusion which this Chamber draws is that gold can only, if at all, be introduced into circulation under conditions of the money market which are ruinous to both foreign and internal commerce, and can only be retained in circulation so long as those conditions are maintained.

6. The Government of India rely upon the exigencies of an expanding trade to force gold into circulation by refusing the country a sufficiency of the currency to which it is accustomed, but although trade under favourable circumstances may be expected to expand, there is nothing more necessary for its development than a free and natural supply of currency regulated automatically by its varying requirements, and it seems to the Chamber quite as likely that a contraction of trade will follow a contraction of the rupee currency as that the necessities of trade will compel the adoption of a currency to which the country is unaccustomed and which, in the opinion of this Chamber, is unsuited to its requirements.

I have, &c.
JOHN MARSHALL,
Secretary.

The Secretary to Government, Financial Department, Bombay.

No. 4.

LETTER from the KARACHI CHAMBER OF COMMERCE.

The Chamber of Commerce,
Karachi, June 29, 1898.

SIR,

I HAVE the honor to state that the proposals for the establishment of a gold standard in India, set forth in the Government of India's despatch to the Right Honorable the Secretary of State for India, No. 70, of the 3rd March 1898, have received the earnest consideration of the Karachi Chamber of Commerce.

2. In the despatch above referred to, the Government of India anticipate with some confidence that the measures proposed will meet with the approval of the Commercial Community. Lest silence should be taken as an indication of assent, I am directed to inform you that, so far from approving of the proposals now put forward, this Chamber regards them with the most serious misgivings. Not only does the suggestion to arbitrarily melt down twenty-four crores of rupees appear to be diametrically opposed to all sound monetary precedent, and fraught with the gravest danger to commerce, but it is not apparent to the Chamber, considering the amount of gold available for permanent export to the East, how the deficiency is to be filled, or whence the new gold is to be obtained, for the establishment of the proposed standard. The City of London has already given expression to its disinclination to support any loans for such purposes, and without a free importation of gold, and a large reserve of the metal in this country, the possibility of the Government of India maintaining a gold standard appears open to serious question.

3. Further, it is not at all clear that an alteration in India's monetary standard is urgently called for. This Chamber, whilst recognising the inconveniences to commerce consequent upon fluctuations in the gold-value of the rupee, is unable to discover that the trade of India has been retarded thereby. It is therefore difficult to believe that the condition of India is such as to justify the means proposed by the Government of India for the introduction of a gold standard, however desirable and feasible such a standard might be under more favourable circumstances.

4. In conclusion the opinion of this Chamber is that the propcsals of the Government of India tend to still further destroy confidence in the minds of capitalists and investors, an opinion which is shared by the whole Mercantile Community of India, as evidenced by the memorials recently published on the subject, by the Chambers of Commerce of Bengal, Bombay, and Madras.

I have, &c.
(Signed) T. R. McLELLAN,
Chairman.

Robert Chalmers, Esq.

No. 5.

LETTER from the BOMBAY NATIVE SHARES, STOCKS and EXCHANGE BROKERS' ASSOCIATION.

To the Right Honourable SIR HENRY FOWLER,
Chairman of the Indian Currency Committee.

THE Despatch No. 70, dated the 3rd March 1898, of the Government of India to Her Majesty's Secretary of State for India carries such wide-reaching consequences to the industries and trade of this country, that I am directed by the Committee of the Bombay Native Shares, Stocks and Exchange Brokers' Association to address the following observations thereon to the Currency Committee appointed by the House of Commons at the instance of the Secretary of State for India.

2. All parties in this country are agreed, including the Chambers of Commerce and the Government of India, that the transition period of the limping standard is intolerable, and should be soon put an end to, either by the adoption of the gold standard or reverting back to the silver standard. Yet the Government of India in their despatch propose to protract the agony in an intensified form for a further period of two, three, or four years, as an experiment, without the promise of a finality, which should be the sole object of any further legislation.

3. My Committee, with the utmost deference, and after due consideration, submit that the Government of India in their despatch under observation have made large assumptions, and have ascribed effect to causes

not altogether the right ones. The Government of India in para. 9 of their despatch state: "Our "total rupee currency is estimated to be at present "somewhere about 120 crores, to which we have to "add 10 crores of fiduciary circulation of currency "notes. This amount may, therefore, be said to have "been ascertained by experience to be *much more* than "is consistent with a maintenance of a rate of sixteen "pence in the season of inactive trade, and to be a "*little more* than is consistent with that rate at the "time of active trade." Dominated by such an idea the Government of India has proposed to melt down about 20 crores rupees in two or three years, or more if necessary, to reduce the great redundancy of rupee currency. This has set the people conjecturing as to what should constitute a monetary stringency according to the notions of the Government of India; for from November 1896 to July 1897 the Presidency Banks' rate ruled from 8 to 12 per cent., and again from December 1897 up to date has ruled from 10 to 13 per cent. Even these rates were more or less nominal, for more often than not the Presidency Banks have absolutely refused to make advances at all, even on Government paper and gold, at any rate of interest. Natives who had in recent years taken more kindly to investment in Government paper as a safe and liquid security, on which they could confidently rely for accommodation in times of pressure and difficulty, have found it during the last two years a broken reed. The result is that that security has declined 15 per cent. during the last 20 months. That no accommodation could be had during these periods of stringency on real property or other sound security goes without saying.

4. The assumption by the Government of India that by the combined effect of great stringency of money and curtailment of currency they will not only be able to maintain the rupee at 16*d.*, but will induce a flow of gold into this country to pass as currency during the melting period, and *after*, arises from a serious mistake, if not ignorance of the causes that govern exchange between the gold countries and India, tied down as she is at present with the limping standard. The exchange between a group of gold countries is determined by the rate of interest and the cost of freight, insurance and commission of remitting gold from one country to the other. The exchange between the gold and silver countries is determined by the price of silver in the market. But the exchange between gold countries and India with a limping standard is determined by exports and imports alone. Whether the exchange should rule high or low, near to or further from 16*d.*, depends on the amount of the excess of the exports over the imports. In order to keep exchange somewhere in the neighbourhood of the legal maximum, 16*d.*, India should export produce and raw and manufactured goods more than she imports them by the sums equal to (1) Secretary of State's drawing; (2) about 10 crores for payment of gold and silver for arts and ornaments; and (3) about five to six crores of private remittances. But as these adjustments could *not* be made month by month and day by day, the rate of exchange will generally be at its maximum between January and June, when the exports vastly preponderate over the imports; and it will be at its minimum between July and December, when the imports preponderate, tempered by the state of the rains throughout the country and an anticipation of the character of the busy season in respect to the other markets of the world. Stringency of money has absolutely nothing whatever to do in the determination of exchange with India. Stringency could only be relieved by the import of foreign capital; and who will venture to remit capital to this country without the assurance of its return without loss? Given the condition of a great stringency of money, the curtailment of currency by melting down to half, and a 20 to 30 per cent. bank rate of interest; and yet if the excess of the export over the import of produce is not more than say 15 crores, which are sufficient to pay only for the import of precious metals and private remittances, but which leave no margin to pay the Secretary of State's drafts, then India must either borrow in sterling to pay her foreign indebtedness amounting to 17 or 18 millions sterling, or the exchange must drop to the silver point. There may be years when the exports of goods are equal to the imports of goods, or even less, as it sometimes happens with the United States of America, and the borrowing to pay our indebtedness may in such years be even found too large for India.

5. When the Government of India attribute the rise of exchange to its present level and state the principle in the para. 2 of their despatch, "that the contraction in "the volume of our silver currency, with reference to "the demands of trade, has the direct effect of raising "its exchangeable value in relation to gold," they either labour under a serious mistake or ignore the facts patent to all. The causes of the rise of exchange to its present level are the large borrowings in England by the suspension of Council Bills, and a large railway programme since the closing of the mints, and thereby increasing for the time the balance of trade in India's favour. The fall of exchange to silver point was arrested during the years 1893-94 by the suspension of Council Bills, and by large sterling borrowings in England. The rise of exchange during the years 1896-98 is owing to the further suspension of Council Bills owing to famine and war, which made necessary further large sterling borrowings. The borrowing since the closing of the mints must have been over 25 millions sterling. If the rate of exchange is maintained for the last six months in the neighbourhood of 16*d.* it is owing to the earlier borrowings, and the vast preponderance of the export over the import owing to the most bountiful harvests in India, and the world wanting all our surplus produce at high prices.

6. The stringency of money has not helped exchange. The causes of the present stringency are (1) large withdrawal of floating foreign capital at the maximum rate of exchange; (2) the lock-up of rupees received for revenue in Government treasuries. Both these causes would have weakened exchange, were it not for the present great preponderance of the excess of the exports over the imports. The first by buying for remittance; and the second by clogging and hampering the free flow of produce for export to the sea-board which makes the sales of Exchange Bills. The exchange has therefore remained strong, not because of the great stringency, but in spite of it. From middle of June, when Government treasuries are being emptied by disbursements, and vast sums sent up-country for the payment of produce return to Presidency towns for the purchase of precious metals, piece-goods, machinery and tools from foreign countries, thereby making the imports larger than the exports, the exchange will decline. It will not because of the redundancy, but because of the trade-wheel turning the other way. Last month, when the Finance Minister refused to lend to the Bank of Bombay on Government Paper to finance the internal trade of the country for the reason that the Secretary of State was prepared to sell all that was asked, he lost sight of the fact that foreign trade and inland trade are distinct and apart. The middleman who wants money to bring the produce from the interior to the sea-board to sell to the exporters, has no gold reserve in London to buy Secretary of State's drafts; but he has Government securities, property and produce, which the artificial policy of the Government made unborrowable and unsaleable.

7. The proposal of the Government of India to melt rupees and sell as silver, will keep exchange steady in the neighbourhood of 16*d.* only during the period the process lasts. But that will not be owing to the curtailment of currency, but to the prohibition of the import of foreign silver by the Government underselling all-comers and thereby increasing the balance of trade in India's favour. The Government of India seem to see the force of this dimly in the para. 15 of their despatch, which runs: "We may observe that "our proposed selling of silver in addition to its direct "effect on the rate of exchange would also have a not "unimportant indirect effect, inasmuch as the operation would meet the demand for silver in India, and "thus increase for the time the balance of trade that "has to be discharged by Council Bill remittances." If the word "*direct*" were substituted for the word "indirect" it would exactly meet the contention. But at the end of three years, or rather at the end of the period of process of melting, as the Government do not promise nor intend to give a sovereign for every 15 rupees, the fluctuations in exchange will be restored to the same state as before the declaration of war against the so-called redundant currency. The time the Government experiment lasts will be utilised not to bring fresh capital into this country, but to convert as much as possible foreign capital employed in this country into gold or to put it on a gold basis. Banking and investing capital is very timid, and trusts only to the certainty that it should not suffer in bulk when returning; and that certainty could only be had by the Government of India undertaking an unlimited liability like the Government of the United States of America.

8. The sale of the metal melted from every 10 crores of rupees would not bring to the treasury the six crores of rupees the Government of India estimate. India

eliminated from the market of the world as a large and every-day buyer of silver, must bring the price of that metal down to 20 pence or even lower. But the loss of a few crores more or less, to use the phrase of the Despatch No. 70, "is a subordinate matter," compared to the revolution our trade with China would undergo by a further fall in exchange of 20 or 25 per cent. The further diminution that our already dwindling opium revenue will suffer, although it may be a source of satisfaction to the purists, yet it will be a grim reality to our ryots. The largest excess of export over import which enables us to pay our foreign debt is derived from our trade with China and the East. Government should foster it and not kill it. Why lop off the branch that gives us the greatest support?

9. As the whole scheme of the Government of India is based on wrong hypotheses, the accumulation by borrowing 20 millions sterling in gold in the treasury of the Government will only entail heavy charges in interest without bringing us any nearer to a gold standard. This gold is to be kept intact and apart, for the Government say "it is not our intention to part "with any of the gold until" a gold circulation is established by capital flowing into this country in blind faith in the scheme of the Government of India. Capital could have no faith in a scheme in which the authors of the scheme have none.

10. In the opinion of my Committee a gold standard could only be established in this country either by the Government of India accumulating large reserves of gold, and by undertaking an unlimited liability to exchange gold for rupees, or by the Government of the United Kingdom undertaking a liability to allow rupees to circulate in England at 16 pence. But as neither is immediately practicable, the scheme associated with the name of Mr. A. M. Lindsay and attached to the Despatch No. 70 offers a present solution. It involves no great accumulation of gold, and what it requires will be required tentatively and in driblets. Under the scheme, as the gold is not to be sent out to this country, it will raise no alarm or distrust of the banking classes in England. But this scheme also involves the Government of India in an unlimited liability which, according to Sir James Westland, they are not prepared to pay.

11. The proposal of the Government of India in their Despatch No. 70 is not a scheme, but an experiment; and we want no further experiments in currency. The traders of this country since 1873 have accustomed themselves to suit their business to the great fluctuations of exchange; and until a final scheme is evolved, they would rather prefer to work under the limping standard, tempered by the Government of India allowing the use in the busy season of the surplus funds accumulated in the treasuries by the collection of revenues. The gaze of the Government of India does not soar beyond the 16*d.* rate of exchange. But exchange is not the country. The experiment of the Government of India is bound to fail, for the hypotheses and reasons on which it is based are wrong; but whether it succeeds or whether it fails, the period during which the experiment lasts, will be one of great tribulation to this country, and will spell ruin to all existing industries. The promotion and carrying out of all enterprises will remain in suspense, the credit of the Government Paper will sink to the lowest depth, and no trade could be carried on profitably under the chasm created by melting down 200 millions of rupees.

Your obedient Servant,
S. B. BROACHA,
Chairman of the Bombay Native Shares, Stocks and Exchange Brokers' Asssociation.

Bombay, May 28, 1898.

No. 6.

LETTER FROM BENGAL COTTON SPINNERS.

To the Right Honourable SIR HENRY FOWLER, M.P., President of the Indian Currency Commission.

SIR, Calcutta, 31st May 1898.

WE, the undersigned, represent 60 per cent. of the cotton spinning industry of Bengal.

In the hope that the early expression of the views of every section of the Indian mercantile community may be of value to your Commission we to-day telegraphed as follows:—

> Undersigned representing principal cotton mills Bengal consider proposed currency measures fatal to their trade emphatically protest Kettlewell Yule Kilburn.

We do not attempt in this letter to explain how and why we have arrived at the opinion thus briefly expressed, but are ready to give our reasons if called upon to do so.

Neither do we touch on the vaster issues of the effect of the past and proposed action of the Indian Government in respect to currency on the prosperity of India generally.

We record our opinion as to the effect of this policy only on our own industry, which is the manufacture of cotton into yarn and the sale of the same to dealers in this country and to importers in China.

We, however, beg that our opinion may be regarded as the result of many years' thought and experience.

We believe that the trade which we in part represent was seriously injured when Government in 1893 destroyed the old and simple basis of value and contract and substituted the uncertain and complicated one since in use.

We believe that the measures now proposed by Government will cause further and incalculable injury to our trade both locally and with China.

From our point of view we consider that the wisest and safest course may be found in the admission by the Indian Government of failure of the present system, and in the adoption of measures by which, with as little dislocation of trade as possible, India may once more attain the safety of a free silver basis of value.

We have the honour to be,
Sir,
Your obedient Servants,
For the Bengal Mills Company, Limited,
ANDREW YULE & Co.,
Managing Agents.
For the Bowreah Cotton Mills Company, Limited, and for the New Ring Mill Company, Limited,
KETTLEWELL, BULLEN & Co.
For the Dunbar Mills, Limited,
KILBURN & Co.,
Secretaries.

No. 7.

LETTER from KOLAR GOLD FIELD MINING BOARD.

Oorgaum, South India,
SIR, 9th June 1898.

I AM directed by my Board to address you on the subject of the currency proposals now before your Committee, and to express to you its sense of the great burden laid upon the mining industry by the efforts of the Indian Government to maintain the rupee at its present fictitious value.

The gold mining industry, which I have the honour through my Board to represent, although it may be said to be still in its infancy in this country, has an embarked capital of two and a half millions sterling; and while it is evident that any measure tending by the creation of false standards to limit the purchasing power of gold must prove a serious discouragement to the industries dependent on the production of that metal, or on its employment in the form of capital, my Board goes further, and with the utmost deference submits that any such measure must therefore ultimately prove detrimental to the welfare of the country and to the development of its resources.

In order to prove that the burden of which we complain is not altogether an imaginary one, I may state that the money remitted annually to meet the expenditure of the mines represented by my Board is the sterling equivalent of, in round numbers, ten millions of rupees. Taking the intrinsic value of the rupee at 10*d.*, this should amount to 416,666*l.*, whereas the amount actually required to meet this remittance at the present artificial rate of 1*s.* 4*d.* per rupee is 666,666*l.*, or an excess of 250,000*l.* It will thus be seen that an industry which should receive the fostering care of all good government is being laid under contribution to the extent of a quarter of a million sterling per annum—or a first charge of 10 per cent. on its nominal capital—in

the support of a policy which is directly opposed to its own interests.

Although large employers of labour, my Board does not lay claim to represent any community, or to voice the sentiments of any section of the native public. It is, however, of opinion, that cheap capital and a natural exchange are the chief requirements of the people, and must eventually tend to the prosperity of the country.

I have the honour to be,
Sir,
Your obedient Servant,
ARTHUR LLEWELLYN,
Chairman,
Kolar Gold Field Mining Board.

To the Right Hon. Sir Henry Fowler,
Chairman,
Indian Currency Committee.

No. 8.

REPRESENTATIONS from the ASSAM BRANCH, of the INDIAN TEA ASSOCIATION.

Simla, the 4th August 1898.

MY LORD,

WITH reference to our Financial Despatch No. 70, dated the 3rd March 1898, we have the honour to forward copy of a letter from the Chairman of the Assam Branch of the Indian Tea Association, dated the 20th June 1898, protesting against the adoption of a Gold Standard in India, and suggesting the re-opening of our mints to the free coinage of silver.

2. There is a remark in the letter that the amount of spurious rupees in circulation in Assam will require the serious attention of Government. With reference to this we have to observe that we have not heard of any unusual amount of spurious coin circulating in Assam which requires serious notice. We may mention that the amount of counterfeit rupees cut and broken at treasuries in all India and in Assam during 1896 and 1897 were as follows:—

——	1896.	1897.
All India - - - -	11,431	15,343
Assam - - - -	162	203

It will be seen that there has been an increase in the number for the whole of India, but that the amount of the increase contributed by Assam is trivial.

The attention of the Chief Commissioner has, however, been called to the statement.

We have, &c.,
(Signed) ELGIN.
,, C. E. NAIRNE.
,, J. WESTLAND.
,, M. D. CHALMERS.
,, E. H. H. COLLEN.
,, A. C. TREVOR.
,, C. M. RIVAZ.

To
The Right Honourable
LORD GEORGE FRANCIS HAMILTON,
Her Majesty's Secretary of State for India.

Amgoorie, P.O.,
Assam, June 20th, 1898.

SIR,

WITH reference to Despatch No. 70, dated Calcutta, the 3rd March 1898, from the Government of India to Her Majesty's Secretary of State for India, I have the honour to lay before you the views of Tea Planters representing the Assam Valley.

1. We cannot help viewing with the greatest alarm the recommendation of the Government of India, that under the present contracted state of our currency, a sum of 10 crores of rupees or even more, should be annually abstracted from active circulation and melted down as a reserve to be held against note issue. Clause 12 of the Despatch states "that it will be seen "this proposal is no new thing, but one which has from "the first been advocated by the Government of India." We respectfully submit that the closing of the mints has already accomplished its object, as far as the Government of India is concerned, by placing its Revenue on a satisfactory footing, but this has been done at the cost of commerce and export trade. We cannot therefore see any reason for now introducing a method of still further increasing the present stringency of the money market, however necessary it might have been considered in 1893.

It has been very rightly stated that injury to trade cannot be allowed as an argument in favour of any measure, until the facts upon which it is based are produced. I trust therefore that the following summary of facts, brief though it is, may be accepted as a proof of the existing depressed state of trade generally, and especially of the Tea industry.

The Calcutta Tea market is regulated entirely by the London market, *i.e.*, if prices fall in London, there is an equivalent fall in Calcutta.

With exchange at 1*s.* 2*d.*, 1 lb. of tea sold at 8 annas in Calcutta is equivalent to 8.86 pence in London, that is taking freight, agency, and warehouse charges into account, but with exchange at 1*s.* 4*d.*, the equivalent of 8.86 pence in England is only 7 annas in Calcutta, and so it is that for every penny rise in exchange we, the producers, incur a dead loss of ½ anna per lb., or a little over six per cent. If there was a corresponding rise with exchange in the price of tea in London our position would be stronger, but unfortunately the opposite is the case; there has been for years a gradual fall in the value of tea, and this, coupled with the high bank rate, causes us no little anxiety as to the future of tea.

Charges connected with the manufacture of tea have been reduced to the lowest limit, and the margin left for a profit with exchange at 1*s.* 4*d.* is simply nil, except under particularly favourable circumstances in the matter of locality and labour.

Taking therefore the yield of Indian tea at 150,000,000 lbs. the loss to growers on every twopence rise in exchange would be over 7,000,000 rupees. The actual amount of loss as shown by the rise in exchange on 150,000,000 lbs. of tea would be a little over 9,000,000 rupees, but I have deducted 22½ per cent. for home charges in the case of tea sold in London (the balance of 77½ per cent. being remitted to India to cover cost in production) and I have also deducted 22½ per cent. for home charges from the realisation of teas sold in Calcutta.

The market value of last year's crop of tea represented about 8 crores of rupees and for the last eight years the average yearly increase in yield has been about 7,000,000 lbs., the additional capital required to meet such increase may be safely estimated at 4,000,000 rupees annually.

We fail to see that any successful attempt has yet been made to ascertain the amount of additional capital required to meet the increased demands for commercial industries in India and the increase of the population.

Anyone who takes a broad view of Indian Trade, as it is at present, must admit that it is restricted by the insufficient supply of silver, everything points in this direction. The high rate of discount demanded by banks, brought on no doubt in a great measure by the enhanced value of the rupee, is a serious drawback to commercial progress. We in Assam, who in past years had no difficulty whatever in securing our monthly cash requirements from the Marwaries, at a discount of 8 annas per cent., cannot now secure the amount required at even 12 annas and 1 rupee per cent., and we have to import rupees from Calcutta at great risk and heavy cost.

The amounts of spurious rupees in circulation in Assam will require the serious attention of Government, and we cannot help thinking that the recent discovery at Lahore of illicit coinage is only one instance of the enormous extent this profitable conversion of bullion into rupees is taken advantage of owing to the fictitious value of our coinage.

We would also point out, with exchange at 1*s.* 4*d.*, the great disadvantages we should have to deal with in competing with China and other countries where silver is taken at its intrinsic value.

Looking at trade generally, I may mention that in the report of the foreign trade of Calcutta for 1897, the

total trade returns with the United Kingdom show a falling off of 8 per cent. imports and exports, being rupees 411,745,761 in 1897–98, against 450,257,267 for the previous year.

There being such a number of conflicting interests at stake, we are cautious in making any suggestion as to a method to be adopted to bring about a successful issue to the much-vexed question of Indian currency, we may justly claim that our share in promoting one of the greatest industries in India has been a prominent one, and we would protest in the strongest terms against any artificial means being countenanced by the Government of India to further bolster up exchange; as such a course merely results in the extinction of the margin of profit to the Indian producer.

We, the Assam Branch of the Indian Tea Association, cordially support the resolutions come to by the General Committee of the Indian Tea Association, viz. :—

1. That a gold standard is not needed in India, even if it be practicable to establish it.

2. That the cost of establishing it (with or without a gold currency) is prohibitive and that an undue proportion of such cost will fall upon tea growers.

3. That in the opinion of this Branch, the Indian Currency Commission should be directed to inquire into the question of how to re-open the mints to the free coinage of silver, with the least inconvenience to the trade of this country.

I have, &c.,
J. Buckingham,
Chairman, Assam Branch, Indian Tea Association.

To
The Secretary, Government of India,
Finance and Commerce Department, Calcutta.

No. 9.

The Humble Petition of the Members of the Behar Indigo Planters' Association at present residing in the United Kingdom,

Humbly sheweth—

That your Petitioners, being of opinion that the proposals of the Government of India as set out in its Minute of the 3rd March 1898, will be found on trial to work detrimentally to the interests of your Petitioners, and of the general Indian community, your Petitioners would humbly pray that they be modified in such manner and to such extent as to allay the alarm now generally felt at the prospect of their adoption.

1. That any currency scheme which will affect the interests of the whole Indian community should be definite and concrete in its conception and automatic in its action; and any scheme in support of which the Government requires to write, "We always have it in "our power to carry the operation even further by "withdrawing a still larger quantity of silver and "replacing it in gold coin; and we recognise that "circumstances may arise in which such a measure "may be forced upon us" (para. 21 of Minute), cannot be such a one that recommends itself to your Petitioners.

2. That under the operation of the Currency Act of 1893 (added to other causes) the circulation of coin in India has become too restricted, and sufficient coin is not forthcoming to meet the requirements of the community.

3. That, under any scheme to be adopted to remedy the evils that at present admittedly exist, it is essential to the well-being of the community that it be supplied with sufficient coin to enable it to transact its trade and other business without unnecessary risk, and that the current coin to be used shall be such as it will accept and have confidence in.

4. That the curtailment of the currency by the destruction of existing coin will result in the serious enhancement of the existing rates of interest throughout the country; and, as a great portion of the trade of the country is carried on on credit or borrowed capital, will create alarm and entail serious loss, if not disastrous consequences, to all concerned.

5. That the declared intentions of the Government of India to appreciate the exchange value of the rupee will entail a heavy loss on all export producers, equal to from 6 per cent. to 7 per cent. for very penny it may be so appreciated.

6. That it is incumbent upon the Government to take such measures as will ensure a constant supply of standard coin, and to take such measures as may be necessary to maintain such coinage in a fair state of repair.

7. That the rupee coinage is the only coinage and standard of value adapted to the requirements of the major portion of the Indian community, and that will be accepted by it as money for many years to come. Your Petitioners would therefore humbly beg that the Indian Government be directed to recommence the coinage of the rupee in the Indian Mints, to meet the annual requirements of an expanding trade and a growing population.

8. That the coin to be so minted be minted on account of, and at the discretion of, the Government; and the profit likely to accrue from such mintage go in reduction of taxation.

9. That the figures relating to the currency of the country, as stated in the Minute, are admittedly only conjectured; your Petitioners would therefore submit that more definite and reliable information as to the amount of money in circulation and existing in the country be secured before the proposed measures receive the force of law.

10. That its proposed system will necessitate undue supervision or management, and any system that will necessitate constant supervision and management on the part of the Government must prejudicially affect the interests of some portion of the community, and create distrust of the Government motives and measures.

11. That the proposed measures of the Indian Government will not secure its ostensible object, viz., the creation of a stable rate of exchange between India and Europe, and the proposed destruction of coin will end in distrust of the action of Government, loss to the community in general, and waste of public funds.

12. That to secure a stable rate of exchange, under any scheme that may be devised, it is essential to such scheme that the Government place a limit on its ever-increasing demands on the international exchange market, and this the Government has omitted to do. A market in which bills to the extent of 10 millions sterling may be annually negotiated at 1*s.* 4*d.* per rupee may not be in a position to absorb such bills at such rate to the extent of 15 to 20 millions per annum.

13. That your Petitioners wholly disapprove of the Government proposal to create a gold standard of value without a gold currency, and of its proposed methods of appreciating the exchange value of the rupee.

14. That, while viewing with distrust all attempts to create an international gold standard of value without at the same time creating an international currency, your Petitioners would view with pleasure and confidence the introduction of any measures to create an international coinage.

15. That your Petitioners are of opinion that a stable rate of exchange between India and Europe can only be secured by a limit being put to the annual demands of the Indian Government on the exchange market, and by the adoption of the English sovereign and Indian rupee as the coins of the realm; by the sovereign being declared legal tender in India to a limited amount, and at a declared and equitable value in rupees, and by rupees being declared legal tender in England to the same extent or limit as silver is at present under the law of England.

16. Your Petitioners would, for the above reasons, humbly pray that the Indian Government proposals to destroy existing coin and further restrict the currency of the country be not proceeded with, and that any measures it may be deemed necessary to take to secure a stable rate of exchange may be such as to act automatically, and not wholly subjected to the influences or varying necessities of the Government.

Dated 28th October 1898.

W. B. Hudson.
J. M. Gibson.
For selves and Members of
Indigo Defence Association.

F. A. Shaw, Harlington Manor,
Toddington, Bedfordshire,
Honorary Secretary.

4th November 1898.

To the Right Honourable
Sir Henry H. Fowler, G.C.S.I., M.P.,
Chairman of the Committee on Indian Currency.

B.—*Official Documents.*

No. 10.

MEMORANDUM by Sir HENRY WATERFIELD, K.C.S.I., C.B., Financial Secretary to the India Office, relating to the SYSTEM of effecting REMITTANCES from INDIA.

The revenue of the Government of India is almost entirely received in India, in rupees, the sterling receipts in England not forming more than about $\frac{1}{300}$th of the total. But a large part of the expenditure, now amounting (including exchange) to about one-fourth of the whole, has to be defrayed in England in sterling, and it is necessary that the Government of India should make remittances to England to meet these expenses.

The sum which has to be added to the sterling payments, in order to express the number of tens of rupees which it costs to liquidate them, is called the charge for exchange.

Besides the expenditure charged on the revenue, there are other disbursements in England, such as the purchase of stores for public works of which the cost of construction is charged to capital, remittance transactions effected in this country in return for receipts in India, discharge of loans, &c., all of which, when not defrayed by borrowing in England, must be provided for by remittances from India.

The manner in which such remittances could be defrayed with the greatest advantage engaged the attention of the Court of Directors as long ago as 1813, when they explained to the Government of India that this might be effected either by advances to the public service, which would be repaid by the British Government in England, or by remittances through private merchants, who would pay money in England in return for bills on the Indian Government, or would receive advances in India from the Government, to be employed in the purchase of goods consigned to the United Kingdom; if these methods failed to give sufficient remittances, bullion might occasionally be consigned to the Court of Directors.

Writing again in 1829, the Court stated that, owing to the peace, the method of remitting through the British Government had ceased to be of much importance. Bills of exchange continued to be drawn on the Governments in India and the agents at Canton, but these had been found to give a less profitable rate of exchange than the recent bullion remittances; but, on principle, they were opposed to the abstraction of the precious metals from India. They seem, however, at that time to have thought advances on the hypothecation of goods the preferable course, though, if all other modes of remittances failed, it was inevitable that bullion should be sent.

At that time the amount required was upwards of 3,000,000*l.* a year; but it was estimated at about 2¾ millions in 1832, when a Select Committee of the House of Commons examined the question of the probable effect on such remittances which would be caused by discontinuing the union of the trade and the Government in India. The action taken by the Court was to revise the conditions on which advances repayable in England should in India be secured on consignments of merchandise.

The system under which money was at that time raised in London by bills on India, was by a notice that cash would be received at the Company's treasury, in exchange for bills for not less than 100*l.*, payable at 60 days' sight, and drawn upon the Governments in India, at the rate of exchange notified from time to time. The rates varied from 1*s.* 8¼*d.* to 2*s.* 2½*d.* between 1833 and 1857, the lowest rates being in 1833–34, 1845, and 1848, and the highest in 1855 and 1857.

Much objection was taken by the East India Associations and Chambers of Commerce, both in the United Kingdom and in India, to the system of making advances on consignments of produce, as introducing a vicious system of credit, and interfering with the ordinary course of trade; and in 1843 the Government of India publicly notified that they had recommended to the Court the discontinuance of the system. The East India Company, however, declined to accept the proposal, and the practice was continued for several years.

During the 13 years from 1834–35 to 1846–47, the remittances amounted to 26,755,192*l.* obtained by bills on India, and 12,791,670*l.* through advances on hypothecation of merchandise. The subject was investigated by a Select Committee of the House of Commons in 1848, and the representative of the East India Company said that, owing to the difficulty of selling bills, it had recently been necessary to resort to a remittance of bullion, and it was considered inexpedient to effect the remittances by any one mode, to the exclusion of all others. It was found necessary to effect remittances of silver bullion which realised 918,224*l.* in 1848–49, and 322,365*l.* in 1849–50.

Although the East India Company never formally resigned the right of obtaining supplies by advances on hypothecation, they tacitly abandoned the practice after 1850–51, as a new method of meeting their requirements presented itself. This was through the receipt of capital deposited in the home treasury by the companies, which about this time began to be formed for the construction of railways in India by means of funds supplied from the local treasuries. In 1854–55 a remittance of 412,022*l.* in gold was sent to England, and in the following year 7,202*l.*

On the outbreak of the Mutiny in 1857, it became necessary to raise the rate of exchange for bills on India to a prohibitory rate; in 1857–58 only 628,499*l.* was so obtained, and during the next three years only 31,392*l.*, while assistance had to be given to the Government of India by forwarding silver bullion* to them. In the five years from 1857–58 to 1861–62 the Home Debt was increased by nearly 30,000,000*l.*, and a net sum of about 20,000,000*l.* was received from the railway companies.

Towards the close of 1861 it was found practicable to resume the course of obtaining remittances from India; and the Government of India were asked whether they considered that this could most advantageously be effected by bills being drawn on them, by their purchasing bills in Calcutta, or by the adoption of both methods. They at first remitted 120,000*l.* by purchasing bills on London in favour of the Secretary of State; but, finding themselves unable to depend on a continued succession of such remittances, they requested that the further sum required might be obtained by means of bills on the Government of India. Instead, however, of announcing the readiness at any time to sell bills at a certain rate of exchange, it was decided to offer them on a particular day for a specified amount to the highest bidders.

Accordingly, on the 22nd of January 1862, an advertisement was issued announcing that tenders would be received at the Bank of England, on the 1st of February, of March, and of April, for bills of exchange, payable on demand, on the three Governments in India, for not more than 40 lakhs (Rs. 40,00,000) in each month. In order to obviate the necessity of shipping bullion from Calcutta to Madras or Bombay, it was stated that not more than 10 lakhs would be drawn on either of those places. Power was reserved to issue bills for less than the full amount offered, and to carry the difference to the next month. Tenders were to be for not less than Rs. 10,000, and a farthing per rupee to be the smallest fraction tendered. No bill would be issued for less than Rs. 5,000. If the tender were accepted, payment was to be made within a fortnight.

Various modifications of the terms have been since made. In March 1882, the fraction accepted was reduced to $\frac{1}{8}$th of a penny per rupee; in January 1875, to $\frac{1}{16}$th; and in November 1882, dealings at $\frac{1}{32}$nd of a penny were permitted. In November 1862 the sales were effected twice a month, and in August 1876 they began to be made on every Wednesday, payment being required on or before the following Tuesday. In October 1878 the right to carry forward unallotted amounts was abandoned.

In 1864 it was found unnecessary to prescribe a limit of the amount to be drawn on Madras; but, owing to the demands on the Bombay treasury caused by the Abyssinian Expedition, drawings on that Presidency were suspended from September 1867 to May 1870; and, in consequence of the drain on the treasuries through the war, drought, and other causes, from December 1868 to May 1869 no bills on India were issued.

Early in 1876 the rates of exchange at which tenders for bills were made were so low that for three fortnights none were accepted; but it was not found possible to presevere in that course, and on the 22nd of March 1876 permission was given to tender either for bills or for amounts payable immediately in India on telegraphic advice. In August 1876 it was announced that, besides the amount advertised for the fortnightly drawing, tenders would be received intermediately for a limited amount at a minimum rate of 1*s.* 8¼*d.* per rupee.

In 1877 drawings were again suspended for three months, owing to the famine in India; and, on their

* 8,165,392*l.* in the five years from 1857–58 to 1861–62.

resumption, bills only were granted. Telegraphic transfers were not resumed till early in 1882. In January 1880 the limit of allotment on Bombay was discontinued.

When the system of drawing bills on India was resumed in 1862, there was, owing to the American War, a great demand for cotton from India, and consequently for bills on that country. Down to November 1864, the rate of exchange realised varied from 2*s.* 0¼*d.* to 1*s.* 11⅛*d.*, but, when that demand fell off, lower rates had to be accepted, and bills were sold at 1*s.* 10¾*d.* in May 1865, and 1*s.* 10*d.* in July 1866; the last time that 2*s.* per rupee was realised was in April 1867. From November 1867 to July 1873 the rates varied between 1*s.* 11¾*d.* and 1*s.* 10½*d.*

About that time the requirements of the Home Treasury began to increase very materially owing to the progress of the Indian railways. In 1872-73 the withdrawals of capital by the companies for the first time exceeded their deposits; and the purchase in this country of stores for the construction of State railways added to the amount of sterling money required, while the fall in exchange yet further increased the amount of rupees needed for remittance. The average amount of bills drawn in the eight years from 1863–64 to 1869–70 was Rs. 6,33,71,000.

In 1870–71 the amount was			-	Rs.9,00,85,000
„ 1871–72	„	„	-	„ 10,70,00,000
„ 1872–73	„	„	-	„ 14,70,25,000

The restrictions on silver coinage by Germany and the Latin Union in 1871 to 1874, and the enormous production of the metal in the United States from 1874 onwards, depreciated silver very greatly, and the effect on the price of bills on India was soon apparent. After falling to 1*s.* 9⅝*d.* in December 1873, exchange suddenly rose in the following month to 1*s.* 11½*d.* and 1*s.* 11¼*d.*, owing to the rate of discount at Calcutta being from 9½ to 10½ per cent., but in August 1874 it fell to 1*s.* 9¾*d.* It varied between 1*s.* 10½*d.* and 1*s.* 9*d.* till February 1876, when the fall became much more rapid, and on the 5th of July 1876 telegraphic transfers were sold as low as 1*s.* 6½*d.* Then a reaction set in, and exchange rose to 1*s.* 10$\frac{9}{16}$*d.* for bills in December of that year. From May 1877 to April 1878, the rate was very steady at about 1*s.* 8¾*d.*; but it then began to fall, reaching 1*s.* 6⅝*d.* in January 1879, from which it rose again to 1*s.* 8⅝*d.* in June. There was then a period of fair steadiness, the rate varying between 1*s.* 8¾*d.* and 1*s.* 7⅞*d.* from June 1879 to December 1882.

In June 1881 the plan was adopted of announcing, two hours before the tenders for bills were opened, the minimum rate at which they would be accepted.

In March 1882 it was decided to sell bills, in addition to those allotted by public tender on Wednesday, at $\frac{1}{16}$th of a penny above the minimum rate of the public allotment, and telegraphic transfers at ⅛th above that rate; but in the following November these differences were reduced to $\frac{1}{32}$*d.* and $\frac{3}{32}$*d.* respectively, and it was announced that tenders for telegraphic transfers might be made at $\frac{1}{16}$*d.* above the minimum for bills.

In the autumn of 1882 an endeavour was made to support exchange, by refusing to accept tenders unless made at the minimum price at which the Secretary of State in Council considered it proper to sell bills; but, after persevering for about three months, it was found necessary to give way, and accept the highest tenders.

The question whether any other mode of effecting the remittances can be usefully adopted has been frequently considered. On a failure of the demand for bills in 1866, the Secretary of State directed the resumption of the plan of making advances on hypothecation of goods, and also gave orders to send gold, and, if necessary, silver, to England. In 1865–66 gold had been remitted, realising 159,858*l.*; and in 1866–67 a further amount of 221,634*l.* was obtained by the consignment of gold, and 660,668*l.* from silver. But, on the demand for bills reviving, such remittances were checked, and no action was taken in regard to the hypothecation of merchandise. The question o establishing an agency in China was about the same time considered; but it was deemed better to sell the bills on India, leaving the private remitters to China to make their own arrangements.

Mr. Seccombe, when examined by the Select Committee on East India Finance in 1881, regarding the mode of obtaining remittances, said that the practice of drawing bills on India had been found to be the best; they were so drawn "upon the principle that the Government "ought not to speculate at all upon the exchanges, "but to have some regular system, so as not to "interfere with the ordinary operations of Commerce, "in order that the mercantile community and the "public generally may carry on their affairs with a "knowledge of the operations of the Government." If the exchange fell so low as to make a bullion remittance more profitable, the subject of such a remittance was duly considered.

The question of making advances on hypothecation was again considered in 1876, but it was not thought desirable to adopt it. Nor could the Government of India suggest any better plan than that of selling the bills to bankers and others, who would perform the operation far better than would Government officers. Whatever the agency employed, the remittance must be effected by exports from India for the requirements of the Home Treasury, in excess of those needed for the settlement of the rest of the account between India and the external world, so that measures for increasing the exports would doubtless have a favourable effect on the remittances.

In 1877 it was considered whether advantage would be gained by the Government purchasing in Calcutta the drafts of the exchange banks on their London bankers at six months' sight; and in 1878 bills were bought in Calcutta to the extent of about a million and a half. But it was felt to be impracticable to carry into effect at the same time the two methods, while there were risks attendant on the purchase of the bills in India; and, therefore, it could only be viewed as a strictly temporary expedient.

In 1879 gold was purchased in India which realised in London an outturn of 486,947*l.* In the same year it was considered whether the Customs duties should be taken in gold, and whether the sales of opium should be effected on the basis of payments in London; but objection was felt to any such disturbance of the trade as might result from the proposed measures.

In March 1882 three members of the Finance Committee of the Council of India had a meeting in the room of the Governor of the Bank of England, with representatives of the eight exchange banks, and invited them to make any suggestions as to the mode of selling bills in the ensuing year. As the result of the conference, it was decided to continue the practice of announcing the minimum price for acceptance, and to post the amount sold up to that date; and to receive applications intermediately during the week for bills or transfers, at a rate not less than $\frac{1}{16}$th or ⅛th of a penny respectively above the published minimum.

At the end of 1882–83 the practice was once more considered, and the advertisement of the 28th of March 1883 issued, under which the bills and telegraphic transfers have been sold ever since, with very slight modification. Tenders are received each Wednesday at the Bank of England, and opened in the presence of representatives of the Council of India. The amount for which tenders will be received is announced beforehand, but not any minimum rate. Power is reserved to accept tenders for a smaller amount. Bills are granted for not less than Rs. 10,000, and $\frac{1}{32}$nd is the smallest fraction to be tendered. If tenders are equal in rate, and the amount available insufficient for all, a pro ratâ allotment is made. Applications for additional bills are received up to the following Tuesday; if the whole amount offered has been disposed of by public tender on the Wednesday, the additional bills will only be given at rates in excess of the minimum accepted. Applications may also be made for telegraphic transfers, which will in no case be granted for less than one lakh of rupees, both on Wednesdays, in addition to the advertised amount of bills, and on intermediate days.

In practice, it is usual to divide the advertised amount rateably between the tenders for bills and those for telegraphic transfers at a higher rate, the difference made between the two varying according to the circumstances of the time.

No. 11.

Letter from the Government of India forwarding Minute by Sir James Westland, respecting Government Balances, &c.

My Lord, Simla, the 20th October 1898.

We have the honour to forward for your Lordship's information a minute drawn up by the Honourable Sir James Westland on certain points referred to in the evidence given before the Committee of Enquiry into the Indian Currency. The minute is not meant to be a discussion of any matters under

reference to the Committee, but is merely directed to the elucidation of certain facts which do not appear to have been fully brought out in the evidence.

2. We request that, if your Lordship has no objection, the minute may be laid before the Committee.

We have the honour to be,
My Lord,
Your Lordship's most obedient,
humble Servants,

(Signed) Elgin.
" C. E. Nairne.
" J. Westland.
" M. D. Chalmers.
" E. H. H. Collen.
" A. C. Trevor.
" C. M. Rivaz.

To the Right Honourable
Lord George Francis Hamilton,
Her Majesty's Secretary of State for India.

Minute by the Honourable Sir James Westland, K.C.S.I.

Indian Currency Committee.

1. Having read the evidence given before the Committee of Enquiry into the Indian Currency, I desire to submit some observations with reference to it. I have, of course, no intention of entering into any arguments on the subject of the inquiry; that would be out of place; and my object is to elucidate some questions of fact referred to by witnesses, which, perhaps, the very familiarity of the subject to us in our daily administration prevented our bringing into sufficient relief. I allude especially to the position which the Government occupies in India as the holder of which it may be called the banking reserve of the country,—a fact perpetually present to our minds and largely guiding us in our operations, both with reference to the maintenance of our own balances and to the drawings of Council Bills, but which is not, I think, sufficiently realised by some of the gentlemen who have given evidence before the Committee.

2. The great difference between the position in this respect of the Treasury in England and that in India may be seen from the following figures. I show first those relating to England. (The figures are taken from the "Economist," and though they do not precisely correspond as to date, they are good enough for the present purpose):—

In Thousands of £.	Exchequer Balance in the Bank of England.	Cash Balance in the Bank of England.
End of December 1897 -	3,785	19,885
" January 1898 -	5,991	22,774
" February 1898 -	11,907	23,606
" March 1898 - -	9,918(*a*)	21,662
" April 1898 - -	5,286	22,720
" May 1898 - -	7,230	26,046
" June 1898 - -	4,800(*a*)	27,071

It will be seen from these figures that the Exchequer could at any time, if necessity arose, realize or spend the whole of the balance at its credit without causing the Bank of England to feel any but a temporary difficulty,—a difficulty which possibly might not be great enough to cause any steps of sufficient magnitude to affect, or even to come to the knowledge of, the public.

3. Now, take the figures for India. I have had them made up in the annexed tables A. and B. for each week of the quarter January to March 1898. It has to be remembered that according to the contract with the Presidency Banks the head "Public Deposits" in their weekly return is practically synonymous with balance at credit of Treasury; the balances of the High Courts and their officers, of railway companies, and some others which form a not inconsiderable aggregate of public money, lie outside these amounts, and are reckoned in India as private accounts. The average of the 13 weekly returns is:—

(Thousands of Rx.)	Balance at Credit of Government.	Cash Balance of the Bank.
Head Offices—		
Bank of Bengal - -	739	791
Bank of Bombay - -	527	636
Head Offices and Branches—		
Bank of Bengal - -	1,576	2,019
Bank of Madras - -	505	951
Bank of Bombay - -	873	953

It will be seen that a demand by Government for the use of its balances would leave the banks with an utterly insufficient amount of cash for their requirements—would in short deplete both the financial centres and the principal towns in the interior of nearly the whole of their banking balances.

4. In comparing England with India in this respect there are two features in the comparison which greatly aggravate the position as regards India. First, the balance in the Bank of England, large as it is, is after all only a portion of the available cash in London. The number of banks in London is legion, and even though the bulk of their available balances may be represented by a deposit account with the Bank of England, yet a large amount on the whole remains in their own possession; and the diminution of the balance in the Bank of England by the whole amount it holds at the credit of the Exchequer would be a small tax upon the whole banking balance of the place. In India this is not the case, the cash balance of the Presidency Banks is a much more important factor in Calcutta or Bombay, for the Exchange Banks hold a comparatively small balance in their own coffers, and even that is, I believe, sometimes an advance from the Presidency Bank. Secondly, the nexus between the Bank of England and the general available cash of the country is infinitely closer than that which exists in the case of the Indian Presidency Banks. The withdrawal of, say, five millions of Exchequer balance from the Bank of England for the purpose of meeting Government payments due throughout the country might deplete the available cash of the Bank of England for a week or two, but the amount would speedily flow back again through a thousand different channels, and the cash position of the bank would be as strong as ever. In India, on the other hand, payments of the kind do not flow back till after a considerable time, and partly do not come back at all. A war on the frontier, a famine in a province, or heavy expenditure upon railways will absorb large amounts of cash, part of which dribbles back slowly, and part of which for practical purposes never comes back at all.

5. These considerations introduce great difficulty into the management of the Government balances in India. It is not merely that we are obliged to have close regard to the demands that are coming upon us in respect of the payments due on Government account during the next few months, but that we are obliged to have regard to future commercial demand also. Just as the Directors of the Bank of England or of the Bank of Bengal, when they feel a strong commercial demand, would be false to their trust if they were merely to say "we have so many millions, or so many lakhs, in our "treasure chest, and there is, therefore, no use of our "interfering with the demand; let us go on giving "out money as long as we possess any"; so the Government in India is bound to carefully guard its balances against depletion brought about either by the payments which it has in due course to meet, or by too sudden withdrawal and disposal through the channels of commercial demand. The above-imagined policy on the part of the bank directors would inevitably bring about a crisis in a very short time, and carelessness of management of the same kind—a concession to immediate commercial demand, without having any regard to the future—would bring a crisis on the money market in India, much more severe and much more rapid by reason of the smallness, the almost non-existence, of any margin to fall back upon.

6. This position of responsibility is forced upon the Government in this country, not of its own will, but because it is accepted by the banking and the mercantile

(*a*) I cannot find the actuals; this figure is taken by deducting from the total Exchequer Balance one million, assumed to be the balance of the Bank of Ireland.

community as the monetary system of India. The whole commerce of the country is made to depend upon the Government balances; and the whole responsibility for the maintenance of an available cash reserve in India being thrown upon the Government, it is taken for granted that if there is a monetary stringency, it is due to the deliberate action of the Government. When bank directors, to meet the occasion I have been describing, put up the rate of discount, they are said to do what is wise and proper, both in their own interest and in those of the commercial public; when the Government, being in India in a similar position, takes similar measures, it is considered to be deliberately causing an undue stringency of the money market.

7. I cannot help noticing that it is almost assumed in the evidence given before the Committee that the Government of India, in their manipulation of Government balances and of Council Bills, systematically pursue this policy of creating for their own purposes a stringency of the kind described. I have more than once had occasion to give this theory explicit denial. Some important papers on the subject were published in the "Gazette of India" of February 23rd, 1889 (page 115, &c.), which were intended to show, and in my humble opinion did show, that our one endeavour in managing our balances was to make things as smooth for the money market as it was possible for them to be, consistently with a system under which the banks kept very little available money of their own. But explanations of the kind are readily forgotten in a place like India where everyone has his own business to attend to, and cares little to read and bear in mind official documents like those to which I refer. I may mention that within this last week I see it stated in the financial article of a widely circulated journal that "Govern-" ment has been busy reducing its balances with the " Bank of Bengal and the Bank of Bombay." I have not inquired into the facts, but I have no doubt that the real explanation is exactly what I gave in paragraphs 22 and 23 on page 124 of the above quotation, from the "Gazette," viz.:—that the so-called artificial reduction of Government balances at the banks is nothing more or less than the issue of the amount to the public in the form of Council Bills.

8. I may mention as regards the Government balances at the Presidency Banks that for the express purpose of preventing any manipulation of them either in the direction of stringency or of the opposite, we work them upon a purely mechanical system. A maximum and a minimum limit are fixed, both very much in excess of the minimum stipulated in the contract with the banks; and the rule is laid down that when the balance is above the maximum, the responsible account officer withdraws a certain amount into the reserve treasury; when it falls to or below the minimum he passes money into it from the reserve treasury. This rule is departed from only (1) when we are raising a loan, and, in order to let it fall easily on the market, allow the Presidency Banks to retain a nominally excessive Treasury balance (I call it nominal because the transaction is the result of a credit to Government on the bank's books by debit to advances on Government securities, and the bank for the moment does not really possess any funds available in cash against it); (2) when our general balance is so severely depleted that for the time we cannot spare funds from the district treasuries to maintain the usual standard of cash balance in the Presidency towns. There is, therefore, so far as the bank balance is concerned, no manipulation for the purpose of creating stringency of of affecting the rate of exchange.

9. I come now to the question of Council Bills. It seems almost a truism to say it, yet it seems necessary to call it to mind, that the amount of Council Bills that can be issued by the Secretary of State is strictly limited. I say this because it seems to me that the accusation of causing stringency is founded in some cases on the mere fact that the Secretary of State has not issued bills for the whole amount required for the payment of the balance of trade. The amount which it is possible to draw in a year may, for ordinary times, be reckoned thus:

	Rx.
Surplus of revenue in India over expenditure in India, including expenditure on capital account -	23,000,000
Money raised by loan in India for capital expenditure - -	3,000,000
Total available -	26,000,000

These figures vary of course from year to year, but it must be clear that whatever the figures are, they limit the amount for which the Secretary of State may draw.

10. Now, as pointed out at length in the papers of 1889 which I have already quoted, the minimum balance with which we can carry on the business of the Government in India is about eight crores: this eight crores includes the balances at our credit in the Presidency Banks and their branches. Our balances went down to that figure and below it in the end of the year 1896 and again in the end of 1897; that is to say, in both of these years the Secretary of State drew even more than was consistent with safety; he could not have drawn more for the simple reason that we had no funds wherewith to pay. So anxious were we to supply the money market with a full amount of Council Bills that in December 1896 we took special legislative measures to add to our cash balances two crores of rupees out of currency reserve, and thus enabled the Secretary of State to enhance his drawings by that amount. And again in January 1898 we passed a special law to enable the Secretary of State, if necessary, to draw Council Bills against our currency reserve. In the present year, 1898, our Council Bill programme was again based on the calculation that we should place at the Secretary of State's disposal, for drawings, everything we could spare subject to the condition of our having eight crores in our cash balances at the minimum period. (The exact figure—I have the estimates before me as I write—was 857 lakhs.) Our prospects as regards balances have been much improved by better revenue, and we communicated the fact to the Secretary of State in July and again in September for the express purpose of enabling him to enhance his drawings up to the limit of our capacity to meet them; and he enhanced them accordingly. Surely what I have stated affords the most ample evidence that our policy throughout is the very opposite of seeking to raise exchange by causing stringency. We have consistently done our best to place at the disposal of the market every surplus rupee we can spare.

11. The truth is that in India, where it is too much the habit to look to Government for everything, it seems not unnatural to expect the Government to finance not only the administration of the country, but its trade and commerce also. Accordingly, when commerce finds a deficiency of available funds, the cause of the deficiency is sought for not in the scarcity of banking capital, but in some action of the Government, which is expected, with resources that are often barely sufficient to meet the financial requirements of its own administration, to supply also all that is wanted for the movements of two hundred crores of imports and exports.

12. One difficulty which is alluded to in some parts of the evidence is that our revenue does not come in equally during the year. This is of course a necessity in a country where so much of the revenue is land revenue, and has to be collected at the time when the revenue payers can most easily afford to pay it—viz., the time of harvesting and disposing of their crops.

I find the following is a rough estimate of the distribution, through the year, of the 26 crores which as above mentioned, became available for drawings. I take the three crores of debt as received half in July and half in August.

	In thousands of Rx.
April - - - -	600
May - - - -	1,900
June - - - -	3,000
July - - - -	2,500
August - - -	1,300
September - - -	—
October - - -	300
November - - -	700
December - - -	2,500
January - - -	5,500
February - - -	3,100
March - - - -	4,600
Total - -	26,000

13. Now, if the Secretary of State could distribute his drawings after the above fashion (or rather take the figures a month later so as to allow the excesses of revenue to be brought down to the Presidency towns to meet his bills) the result would no doubt be that our

excess cash balances (that is, the surplus over what we require for treasuries that are not in charge of banks), would be wholly, or nearly so, at the disposal of commerce. But I must point out that this is more a theoretical possibility than a real one. As I have already explained, there are no funds for Government to fall back upon, if it surrenders to commercial uses its own cash balances and then suddenly finds that it must alter its programme of revenue and expenditure. There have been two crises of that kind within the last two years. The first was in October 1896 when the rains failed and prospects of famine suddenly made their appearance in India. We realised that the first and necessary step was to make large remissions of revenue at once; this came upon us just as our balances were descending to their minimum, and there was no remedy but to call upon the Secretary of State immediately to suspend his drawings, which were being as usual so regulated as to leave no margin in December. The second was in the outbreak of frontier warfare in August and September 1897, when again we were obliged to stop the Secretary of State's drawings in order that we might have money to expend on the necessary military operations.

14. It is not possible for us therefore, dependent as we are upon our own rescurces, to carry on the administration with our balance continually hovering about eight crores. We can afford the risk of letting it run down to eight crores in November and December when we know we shall be amply in funds again when the revenue comes in in January. But if we had to keep to one figure all the year round, we would not be safe under a minimum of 11 crores (that is to say, a continual margin, against possible sudden claims, of three crores). Thus the proper way of describing the policy under which we might place our margin of money at the disposal of commerce would be "Reckon Rx. 11,000,000 as your minimum current balance; but inasmuch as you can stand the risk of letting it run down, for a month or two, but not longer, to Rx. 8,000,000, give commerce the advantage for that month or two of the Rx. 3,000,000 you can thus spare."

15. This is really not very far different from what we actually do; at all events, the argument shows that the money we withhold from possible utilisation by commerce is only the excess which we hold over Rx. 11,000,000;* and that it is not possible, from a practical point of view for us to accept as a rule of working: "Eight crores is your necessary minimum, "and all that you hold in excess of that should be "regarded as available for commercial use." In short, eight crores is not a working minimum; it is a point of danger which we can tolerate if it is to last only for a month or two, but which might at any time land us in disaster, if we tried to work with it for a longer period.

16. The distribution of Council Bills over the twelve months remains entirely in the hands of the Secretary of State; we, in India, give him from time to time our recommendations, and especially advice as to the amount we can make available for his drawings; but as the primary object of the Council Bills is to place him in funds for the expenditure which he has to undertake, we leave it to him to consider when drawings may be eased off for want of commercial demand, or increased to meet commercial demand. At the same time we are quite aware that the policy of the Secretary of State in the matter is the same as our own, that is, to draw during the twelve months as much as we can meet. The considerations I have set out will show that the utmost the Secretary of State could do, if he were to neglect in regulating his drawings every consideration but that of momentary commercial convenience, would be that he might occasionally be a crore or two ahead of his drawings as he regulates them on the present system, at the risk of having to pull up after a month or two in order to allow our resources to come up to his demands upon them. I pronounce no opinion as to whether it is convenient for commerce to have a crore a week placed at its disposal in February to April, and then have it cut down to 12 or 15 lakhs a week in May. Of course nothing that the Secretary of State can do will increase the total of his drawings over the twelve months.

17. Having thus placed in the hands of the Secretary of State the regulation of the drawings of Council Bills, we naturally consider ourselves precluded from interfering with his operations by advancing money, even on interest, to the Presidency or other banks in India. Occasionally, but very rarely, short loans of the kind are made by us, but it is only for the relief of temporary difficulties. The last occasion on which a proposal of the kind was made to us is referred to in the evidence (Question 8362). In April last the Bank of Bombay, whose rate at the time was 13 per cent., asked us to advance 25 lakhs to it, for a short time, at 6 per cent. This we either formally declined, or were on the point of declining, when the proposal was altered into one to borrow from us at bank rate. Within three or four days, however, the stringency of money was relieved, the bank rate gave way, and we thought the necessity for any extraordinary measure had ceased.

18 Following this general, and as I have been trying to explain false, impression as to our policy in the management of Government Balances and Council Bills, I observe that the proposals of the Governmen of India made in the despatch of March 3rd have been described as a policy of forcing gold into the country by means of an artificial stringency in the money market. I do not enter upon any argument as to whether that will be their effect--that is a question of opinion on which it is for the Committee to pronounce; but that such is their deliberate intention I may be allowed to deny. The stringency unfortunately is there. I enter upon no argument as to whether it is due to the closing of the mints, or to the withdrawal of capital from India, which began long before the Mints were closed, or whether it is caused partly by the one and partly by the other. But I think I have made it clear that, granting the situation brought about by the currency policy of 1893, the stringency has occurred, not by reason of any action taken by Government, but in spite of all the efforts made by Government to prevent it. The policy we set out in our despatch of 3rd March was a policy which had for its object not to increase it, but to relieve it, and I may represent the argument in this way: "The "stringency will not be relieved until capital is sent "out to India. Holders of capital are afraid to send "it out as long as the currency is on a silver basis, "and is in such an amount that a turn of the scale, "whether by cessation of activity in trade or in any "other way, will send down the rate of exchange. "Let us get over this transition stage; let us get to "a state of things where, instead of the circulation "being composed of 120 crores of silver, it is composed "of, say, 105 crores of silver and 15 crores of gold "(that is, 10 million pounds). Capitalists will now see "that the money in circulation in the country must "be reduced from 120 crores (that is 105 in silver and "15 in gold) to 105 crores before exchange falls below "16 pence; and this state of things will give them "confidence enough to send out their money to thus "relieve the stringency."—This is what is set out in paragraph 22 of the despatch. The argument may be right or wrong; on that point I in this place urge nothing; but the intention I think is sufficiently clear; and it was not an intention to operate through artificial stringency.

19. This explanation will also account for the position given in our proposals to the melting of rupees. While the rupees are still in existence (as they were after the stoppage of drawings in 1893-94) the confidence we hoped to create could not exist. The capitalist would argue: "These rupees, though now withdrawn, may "at any time come back into circulation, and I cannot "accept it as certain that the rupee circulation will "not exceed 105 crores; while therefore this possibility "lasts, I hold my hand.

20. One more explanation on this subject and I have done. The Government never had it in their minds to withdraw rupees from the active circulation by any new operation of withdrawal or recall. Under the monetary system of India which I have explained, rupees are every year withdrawn from circulation in the payment of revenue, especially in the months of January to March, and they are returned to it again through the operation of Council drawings. In such a monetary system, the restriction of Council Bills and the withdrawal of silver coin are synonymous terms; the Government can get possession of silver coin for the purpose of melting down, only by the Secretary of State drawing a smaller amount of Council Bills than he otherwise would draw. Our notion was that in this way the reduction of rupee circulation would commence to be brought into effect, that the Secretary of State

* For example, I find that from October 1896 to December 1897 there were only two months in which the cash balance was over Rx. 12,000,000,

would refuse to draw under some rate settled from time to time, but at least advancing towards 16 pence, and that the amount he thus withheld would be by us permanently withdrawn from circulation, and melted down so as not to be in any way further available in the form of silver currency. How far this operation would have to be carried before exchange was for the time fixed at 16 pence would be matter of experience (paragraph 16 of despatch). We would have to carry it not only far enough to raise the exchange value to 16 pence for the time, but still further with the aid of our currency reserve (paragraph 20) so as to have a margin to fall back upon, namely, to ensure that the reduction of silver currency would be enough to maintain the 16 pence value, even if trade were to become more inactive than at the beginning. Meantime we hoped that with this declared policy before us commerce would find, in the prospect of the rise of the rupee towards 16 pence and its fixation at that point, sufficient encouragement to send out gold coin for its own needs, just as before 1893 it used to send out silver to the mints when the supply of Council Bills fell short of its requirements.

21. Again, I repeat, it will be understood that I am not here engaged in defending the plan; I am merely explaining the proposals with reference to certain portions of the evidence laid before the Committee. Things have advanced even since the proposals were laid before the Secretary of State; the rupee has maintained itself very near to 16 pence even during the inactive period of the year; and the redundancy of the circulation with reference to that value—that is, the amount which the Government of India proposed to withdraw from any possible return into circulation—appears now to be less than it appeared in March last.

22. I desire to add some remarks with reference to the allegations about illicit coinage which appear in some portions of the evidence given. We have been making continual inquiries regarding this; but we have not been able to discover that illicit coinage is in any respect more rife than it was before the rupee rose so much above its bullion value. Illicit coinage still goes on in India as everywhere else, but obviously the only kind of illicit coinage that can arise in connexion with the closure of the mints is illicit coinage of standard silver; and discoveries of coinage of base metal have nothing to do with the present subject. What we have ascertained is that the public have had their attention drawn to the subject, and that they are apt, much more than they were before, to suspect rupees which turn out upon examination to be perfectly good. We have arranged for more systematic inquiry, and all I can say at present is that little evidence exists of any greater frequency than formerly of illicit coinage.

23. The coinage of Farrukhabad rupees, alluded to by more than one of the witnesses, has nothing to do with the question of illicit coinage of Government rupees. These are rupees of an ancient currency which bear inscriptions in Persian characters only. I do not believe that a single such rupee is anywhere used as coin in British India, and it is certain that not even the most simple individual could ever mistake one for a Government rupee. They are largely used as ornaments, and have been largely manufactured for that purpose. They also could no doubt be easily introduced into circulation as money in Native States, where the currency is often in such a condition that almost any bit of silver, bearing a Persian inscription or a part of one, passes from hand to hand rather in barter than as money. The officials of the Gwalior State the other day gave me a list of 16 different kinds of coin of this description which so passed, at various values, in the State of Gwalior alone.

24. We recently determined that this kind of manufacture was dangerous, both because it might interfere with the current coin of Native States, and still more because it might familiarise the people with the notion that coinage was an admissible form of private industry, and we altered the law so as to make it what the law probably always intended it to be, a criminal offence. The recent case was the first in which the change of the law was brought home to the people engaged in this trade; but it obviously indicates no danger of illicit coinage as regards Government rupees.

J. WESTLAND.

1st October 1898.

A.

STATEMENT showing the AMOUNT of PUBLIC DEPOSITS and CASH BALANCES at the HEAD OFFICES of the THREE PRESIDENCY BANKS during the first 13 Weeks of the Year 1898.

[In thousands of Rupees.]

Weeks.	Public Deposits.				Cash Balances.		
	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total.	Bank of Bengal.	Bank of Madras.	Bank of Bombay.
1st week	92,94	19,03	66,78	1,78,75	68,19	Not separately given.	55,99
2nd „	1,01,12	24,12	50,39	1,75,63	1,01,12		91,16
3rd „	82,21	25,88	53,45	1,61,54	77,40		91,05
4th „	62,00	28,58	51,84	1,42,42	92,99		76,00
5th „	54,39	26,01	48,67	1,29,07	69,41		46,84
6th „	69,52	22,73	49,88	1,42,13	66,31		58,50
7th „	68,87	22,02	52,71	1,43,60	69,79		36,95
8th „	74,18	22,09	42,49	1,38,76	80,77		56,78
9th „	80,83	19,04	44,38	1,44,25	77,77		33,96
10th „	76,17	26,16	51,33	1,53,66	86,30		63,99
11th „	57,62	25,40	55,44	1,38,46	77,50		69,19
12th „	74,35	26,88	66,46	1,67,69	83,79		79,41
13th „	67,15	18,33	51,72	1,37,20	77,63		67,29
Weekly average for the 13 Weeks	73,95	23,56	52,73	1,50,24	79,15	—	63,62

B.

STATEMENT showing the AMOUNT of PUBLIC DEPOSITS and CASH BALANCES at the THREE PRESIDENCY BANKS and their BRANCHES during the first 13 Weeks of the Year 1898.

[In thousands of Rupees.]

Weeks.	Public Deposits.				Cash Balances.			
	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total.	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total.
1st week	1,70,93	28,69	82,74	2,82,36	2,37,17	86,87	85,34	4,09,38
2nd „	1,69,31	36,88	65,90	2,72,09	2,43,39	90,12	1,13,07	4,46,58
3rd „	1,48,43	39,91	71,48	2,59,82	2,10,44	93,58	1,18,53	4,22,55
4th „	1,36,13	57,12	79,36	2,72,61	2,17,92	1,08,56	1,16,35	4,42,83
5th „	1,54,45	55,48	73,17	2,83,10	2,16,80	1,02,28	82,60	4,01,68
6th „	1,61,12	49,86	79,87	2,90,85	2,25,42	92,00	87,82	4,05,24
7th „	1,36,68	43,11	75,35	2,55,14	1,71,67	80,78	67,47	3,19,92
8th „	1,49,83	53,55	77,38	2,80,76	1,76,91	93,06	91,42	3,61,39
9th „	1,70,20	50,40	75,10	2,95,70	1,82,80	88,69	69,48	3,40,97
10th „	1,73,42	56,64	88,16	3,18,22	2,05,88	98,12	1,07,06	4,11,06
11th „	1,38,93	61,15	1,04,48	3,04,56	1,71,41	96,08	1,06,94	3,74,43
12th „	1,65,80	66,37	1,37,68	3,69,85	1,83,54	1,01,86	1,04,42	3,89,82
13th „	1,73,68	57,82	1,24,89	3,56,39	1,81,20	1,04,56	88,91	3,74,67
Weekly average for the 13 weeks	1,57,61	50,53	87,35	2,95,49	2,01,89	95,12	95,34	3,92,35

No. 12.

Note of 15th May 1872 *by* SIR RICHARD TEMPLE, G.C.S.I., *handed in by the* EARL OF NORTHBROOK (see *Q. No.* 8447).

I desire to lay before the Government of India three notes by Mr. G. Dickson, Secretary to Bank of Bengal, on the subject of the gold currency, which he was good enough to draw up at my request; also notes by Mr. R. B. Chapman, the Financial Secretary, and Mr. H. D. Sandeman, Officiating Comptroller General, and Mr. E. Gay, Deputy Comptroller General, on the same subject.

2. I have long believed that a gold currency is wanted in India; that its introduction ought to be an object for gradual, if not immediate, attainment; and that the British Government ought to adopt measures from time to time towards that end. I do not say the introduction of a gold coinage, for we have that already in India. We have gold pieces representing fifteen, ten, and five rupees respectively; and believed to represent these several sums very correctly, as regards the relative value of gold and silver. That this relative value has by these gold pieces been preserved with as much accuracy as possible under the circumstances was affirmed by the report of the Indian Currency Commissioners in 1867. But, despite their intrinsic merits, these coins are not and cannot be available as currency, because they are not legal tender. I conceive that we should, so far as we fairly can, permit inducements to arise for the importation of gold into India, and for its retention in considerable quantities in the country; that whenever such quantity might be found adequate, we should take the first opportunity to declare the gold coins legal tender to unlimited amount; that the gold pieces should continue to bear the fixed relation to the rupee; that for a time it might be necessary to permit the rupee to remain legal tender to an unlimited amount, which would involve temporarily the difficulty of double standard; that the transition period of double standard should be as short as possible, silver being reduced to a token coinage, and being legal tender up to a small amount only; and that gold should be ultimately the one legal standard.

3. Remembering that many steps must be taken before any such consummation could be arrived at, I should have preferred, just now, to confine myself to such practical measures as could be adopted at present. But, among the many doubts which surround the subject, I see, or imagine that I see, one doubt which affects the very root of the matter. It seems to be doubted whether a gold currency is needed at all for India, or whether it constitutes a requirement of that pressing or important character which would justify any alteration in so delicate an affair as the currency.

4. I do not at all share such doubt. On the contrary, I share the conviction expressed by my predecessors Mr. S. Laing and Sir C. Trevelyan and Mr. Massey, to the effect that a gold currency is among the urgent wants of India. With the exception of Mr. Wilson, every Financial Member of the Government of India has advocated this view. In 1866 similar views were advocated by a special Commission in India appointed to examine the whole subject, and have been maintained at one time or other by every chamber of commerce in India. But in the event of such doubt as above described being seriously entertained, I will attempt to briefly recapitulate the reasons why a gold currency is desirable in India. And my excuse for making the attempt must be this. If people shall strongly entertain an *a priori* conviction that a gold currency is really wanted, then they will find that the supposed difficulties in the way of its introduction are not at all insuperable. If, on the other hand, they have no such conviction, then the difficulties, which more or less beset every question of currency, become magnified to undue proportions.

5. It can hardly be necessary to recall to mind the superiority of gold over silver, or the reasons why in all countries the estimation of gold is about fifteen times greater than that of silver. A well-known writer on bullion has summarised the advantages of gold thus:—

"Gold is the noblest of all metals—the *king of the* " *metals*, as the alchemists of old used to call it. It " holds this exalted rank by virtue of its precious " physical and chemical properties, among which may " be mentioned, more especially, its indestructibility; " its signal power of resisting oxidising influences; its " fusibility; its permanent ductility and malleability; " its beautiful colour and splendid lustre."—*Seyd*— " Bullion and Foreign Exchanges."

6. It is this superior estimation which, causing gold to be so much more relatively portable than any other precious metal, gives it a practical efficiency in commercial transactions, of which inherent quality nothing save artificial restraints, from systems of currency, can deprive it.

7. The most advanced nations, England, France, Italy, America, Germany, Holland, possess a gold currency. Most of them have at various times adopted measures to change the currency of silver to gold. Some of them have even put forth efforts and undergone sacrifices for this object.

8. It is generally acknowledged by the best authorities that the money which is to be the medium of exchange and the measure of value in large transactions, or in all save small transactions, should be gold, as being the metal most suited for such purposes from its greatly superior estimation. Silver is suited only for trans-

actions too small for the use of gold; just as copper is suited only for transactions too small for the use of silver.

9. In the first place Adam Smith explains that—"In the progress of industry commercial nations have "found it convenient to coin several different metals "into money; gold for larger payments, silver for "purchases of moderate value, and copper or some "other coarse metal for those of still smaller "consideration."

10. Michel Chevalier gives a similar explanation:—"We know that for many centuries copper con-"stituted the money of Rome. Afterwards, society "having become richer, copper money was no longer "sufficient; with the increase of wealth, payments "became too cumbrous, and a more valuable metal "than copper was found better adapted for the bulk "of transactions; it was thus that silver money came "into use. This was soon after followed at Rome, "and for the same reason, by a gold currency. The "history of the currency in the monarchies which "were reared upon the ruins of the Roman Empire "reveals the same process." The same authority goes on to say of gold and silver—"a division of their "employment seems to be indicated; for silver the "smaller, for gold the larger, payments."

11. M'Culloch, speaking of gold and silver, says that "the former would be sure to be preferred as money "to the latter in all but petty transactions."

* * *

"The use of gold as money is accompanied by so "many advantages that it would maintain its place "even though it were somewhat underrated as com-"pared with silver. Inasmuch, however, as gold has "so many natural grounds of preference on its side, "the true plan is to make it the only standard."

12. Tooke, after rejecting *seriatim* the arguments for a change from a gold to a silver standard, says that "in "other respects it would be the substitution of the less "convenient for the most convenient description of "currency."

13. Chambers writes in his chapter on money—"A "substance has been employed as the chief circulating "medium over the civilized world. Its own nature "has made it the standard currency, though it is "relieved and aided by other kinds of currency. "This substance is gold, which by common consent "people at the utmost extremities of the civilised "world have used as their standard currency."

14. One of the main reasons for the preference of gold over silver is forcibly expressed by another writer (Dunning Macleod): "The greater the intrinsic value "of the metal, the better is it qualified to perform the "functions of a currency." * * * * "The more "rare and valuable the metal, the more portable and "convenient would it be, so that a man might carry "about with him, as it were, a concentrated essence of "power of commanding services." As John Stuart Mill observes:—

"There is an obvious convenience in making use of "the more costly metal for larger payments, and the "cheaper one for smaller; and the only question "relates to the mode in which this can best be done."

15. Even some of those authorities, for example, Ricardo and James Wilson, who prefer silver as the sole standard, make important admissions in favour of gold. Ricardo states that—"In favour of gold it may "be said that its greater value under a smaller bulk "eminently qualifies it for the standard in an opulent "country."

James Wilson says—"No one will be inclined to "deny that, if we had to begin a system of currency "*de novo*, the most convenient of all the various "systems now in practice would be found to be that "used in England, where gold is the standard, and "silver tokens of limited tender the subordinate "coins."

16. Now, these considerations of political economy are just as applicable to India as to any other civilised country. It will hardly be denied that India *is* a civilized country. Although civilization in a politico-economic sense is not so diffused in India as in Europe; though the mass of the people are less civilized than the corresponding classes of an European people, still India has a fair proportion of civilisation, has a large field for the exercise of political economy; all which, though inconsiderable relative to the vastness of the country, is considerable absolutely. Though on the whole a poor country, certainly, still India is in parts rich enough, has within particular limits great wealth, has extensive transactions, has in some respects much to do with money on a great scale.

17. It is no sufficient answer to this to say that the mass of the people never see anything better than copper money; that it is only certain classes that see even silver; and that but a comparatively limited number would see a gold currency if it existed. For the limited number who would see gold represent the most important classes of the country, just those classes whose skill, enterprise, and intelligence go far to make the fortune of the nation. If the sections of the people who would use gold were summed up, they would be found to represent a great and growing interest. And if they really require a gold currency, that would be a strong reason for introducing it.

18. Again, if it be supposed that such currency were not so urgently wanted for the interior of the country generally, still the question would remain as to whether it is wanted for the larger transactions of the inland trade and especially for the foreign trade. It is not so easy to gauge the inland or inter-portal trade. But we know the extent of the foreign trade exactly, and we can see what a mighty interest that represents.

19. But the number of persons in all India who would use a gold currency is not so limited as seems to be supposed. It may be mentally measured in this way. With our five-rupee gold piece legal tender, everyone who had to pay five rupees or more in metallic currency (unless he paid in currency notes) would pay in gold. Everyone who kept or hoarded five rupees and upwards in treasure would use gold. Let us compute by our own notions (we cannot ascertain exactly) what the number must be of payments of five rupees and upwards in all India within any year. Surely it must be very great. Quite great enough to justify the consideration of measures for introducing a gold currency.

20. Or let us suppose that, following the example of the five-franc gold coinage, or, forming the easily conceivable notion of a five-shilling gold piece, we were to have gold coins of lesser denomination than five rupees (for which the authority of M'Culloch might be cited)—say, for example, that we were to have $2\frac{1}{2}$-rupee gold pieces. Then every payment of metallic currency of $2\frac{1}{2}$ rupees and upwards would be made in gold, if there were a gold currency.

21. How very great, then, must the number be of such payments in a year.

22. But in these, as in other matters, there is such a thing as national prejudice. It is conceivable that such a population as the Indian might have some national prejudice against gold. But have they, in fact, any such prejudice against gold pieces? No, they have not. Quite the contrary; their prejudice, if they have any, is entirely in favour of gold. The imperial dynasties which preceded us in India had a gold currency. Some comparatively ancient gold coins have still a limited circulation, and enjoy the highest repute. It is remarkable that the gold coins which issue from the British Mints in India mostly find their way to Native States. It may be said, in general terms, that on our accession to power in India we found a gold currency existing conjointly with the silver currency. And it was reserved for us to accord silver the dominant and exclusive position which it now holds in the currency. My own belief is, that few nations have in their own minds a higher appreciation of gold than the Natives of India.

23. It was in 1835 that silver was made the sole legal tender in India. Gold, however, ceasing to be a legal tender, was still receivable at the Treasuries in payment of Government dues. Even this was stopped in 1853. The prohibition was withdrawn in 1869, since which time the gold pieces have been and are receivable at the Treasury as before.

24. This measure, however sound in principle, has not proved efficacious. Indeed the state of the exchanges prevailing since that time, has not been such as to cause the importation of gold bullion. And indeed nothing can bring about a permanent influx of gold, while gold pieces are not legal tender.

25. Upon this point M'Culloch writes thus:—"Silver has become in India, in fact as well as in "law, the sole legal tender * * * there are at the "same time various circumstances which make it "much to be regretted that an attempt should have "been made to exclude gold from the currency of "India; * * * had gold been allowed to circulate "as coin, it would have been extensively employed in "making large payments, and it would also have been "extensively hoarded. * * * It would be good "policy to reintroduce a gold currency."

26. M'Culloch further makes a remark which I shall cite in this place. After explaining that gold would, if it had a fair chance, circulate in India as well as silver, he goes on to say—"In that case the increased "demand for gold * * * would, by lessening the "demand for silver, have checked any tendency it "may have had to rise." Sir William Mansfield (now Lord Sandhurst) elaborated this same point in 1864. He estimated that the exclusion of gold from the currency caused a rise of 5 per cent. in the price of silver, and held that this led to injustice towards the landholding classes of India, who pay land revenue fixed for long periods or in perpetuity.

27. Whether we go to the full length of these conclusions or not, still we can hardly doubt that to virtually oblige the people of India (as we indeed do oblige them by our present system) to use only one precious metal for currency, when they might have had two precious metals, is to enhance the price of that one precious metal, silver, and thereby to put them to considerable expense unnecessarily. They must have the silver for currency use, and they must purchase it with their produce. If the price be enhanced, say, by even a small percentage, then let the significance of that be considered. The amount of silver in circulation cannot, of course, be stated, but it must evidently be very great; supposed to be at least 100 millions sterling in value, sometimes even estimated at 150 millions. The amount, whatever it may be, has been purchased by the people of India. Then, even a small percentage on either sum would give an extra expense of several millions, to which the people have been unnecessarily put. Such an estimate is not precise indeed, but it may serve to give some idea of the possible loss occasioned to India.

28. Again, to use gold instead of silver coins is to effect a great saving in minting charges and in wear and tear; or, per contra, to oblige the people to use silver coins when they might use gold is to put them to the expense of about fifteen times as much minting and wear and tear of coinage as might otherwise have been necessary. This cost may be relatively small, from 1 to 2 per cent. on value of coins; still let us remember the amount of silver coined in India since 1835, about 197 millions, and we shall see that even a small percentage on this vast sum would be an appreciable amount. It follows that this amount might have been to a large extent saved to the country had there been a gold currency. Sir W. Mansfield summarises the advantages of gold as—

"1st, superior portability;"
"2nd, decrease of wastage;"
"3rd, economy in mintage;"

and he describes these as "elements of cheapness "which have a marked effect in asserting the superiority "of gold."

29. It is often said, in effect, that the certainty of silver always being largely employed as currency in a comparatively poor country like India is a reason why a gold currency is not wanted. But I contend, on the contrary, that this very circumstance is one of the reasons why a gold currency *is* wanted, because it tends to steady the price of that silver which is one of the necessaries of the national life.

30. On the whole, it seems clear that, while in all other branches and departments of administration we endeavour to give to India the best of everything, so far as we can, yet in respect of metallic currency we deliberately withhold from her the first-rate article and afford her a second-rate one.

31. The foregoing considerations apply to India in common with other countries where there may be commerce and accumulated wealth. But there are special reasons in India why a silver currency without any gold currency must be inconvenient. In other words, there are, in addition to the general reasons, special reasons why India ought to have a gold currency.

32. The continent of Europe, and especially the United Kingdom, obtain both gold and silver from about the same distance in the case of each metal. Those countries have commercial relations with gold and silver-producing regions. Gold comes direct from America, so does silver.

33. With India the case is different. She has but slight commercial relations with America. And consequently she has to obtain silver through the medium of England. This is to some extent a disadvantage, and must involve various charges, direct and indirect. She has also to obtain the silver, in which her currency solely consists, from an immense distance.

34. On the other hand, she could obtain gold from Australia direct, without employing any other country as a medium, and from a much shorter distance. Thus it would appear that from its situation Australia, with its gold-producing regions, is the natural source of supply of the precious metal to India. It is the present system of the metallic currency that prevents India from availing herself of the great natural advantage offered by Australia in this respect, and forces her to obtain her specie under comparatively disadvantageous circumstances.

35. As Colonel Smith, the Mint Master, has well expressed it:—

"The advantages of introducing gold into the "currency of our vast dependency need not be here "insisted upon. They may be inferred from the "unanimous wish of the inhabitants for a less cum-"brous means of exchange, from the benefit to be "derived by the whole civilized world from India's "taking her share of the increased produce of the gold "mines, and from the anomalous spectacle exhibited "for many years past, of ships freighted with gold "traversing half the globe in one direction, crossing "ships conveying an equal value of silver in the "opposite direction, for the adjustment of balances of "trade capable of settlement without either voyage, "and with a saving of expense of a quarter of a million "sterling annually."

36. Sir William Mansfield (now Lord Sandhurst) put the case thus:—

"There can be no good reason to compel the precious "metals to make the journey from Australia round by "London to India, instead of coming direct to the "latter country. Yet that is what to a certain extent "necessarily takes place, and which throws heavy "charges on the metal ordained as a legal tender, viz., "silver. The gold of Australia must go to London to "be exchanged for silver, which is then sent out to "India, after being bought at an artificially high "price in Europe and the United States. The "European markets are the middlemen, who obtain "their profits on the silver sent to India to restore the "balance of trade."

37. Sir Charles Trevelyan ably set forth the same point thus:—

"England has a southern as well as an eastern "empire, and the great staple of that southern empire "is gold. Owing to the exclusion of gold from the "Indian currency, the trade with Australia is chiefly "carried on in this way. The gold of Australia is "sent to England, where it is employed in buying "silver, and the silver is sent to India burdened with "the charges of the double voyage, and with the "additional interest accrued during the long period "occupied by it. The cotton and other exports of "India are charged with the extra expense arising "from this circuitous mode of payment. Even a "worse result is, that the trade cannot be carried on "in a regular manner. The gold remains in the Bank "of England until the Indian demand sets in, and then "it is suddenly withdrawn to sweep the continent of "silver for transmission to India."

38. The fact that the trade between India and Australia is not great, and is not likely to grow essentially, would not, of course, constitute a difficulty. It is true that if India received a large amount of gold from Australia she would not be able to send her produce to Australia in return. But the balance in favour of Australia would be settled and adjusted in the trade between India and England and England and Australia. India has extensive claims upon England for produce exported thither. She would transfer to Australia a portion of those claims, and thus pay for the gold.

39. The adjustments which take place in China will afford an illustration. China owes India yearly a large sum for opium. She does not wholly pay this debt by produce or treasure. She pays in part by transferring to India her claims upon England for Chinese produce exported thither.

40. But, further, there is one marked peculiarity in the situation of India—which is perhaps almost unique in the world—in that she has annually to remit to England money to the sum of many millions. The liability is as serious as it is inevitable, and the cost of so vast a remittance amounts to nearly half a million pounds annually, and sometimes more.

41. While the Indian currency is in silver only, the principal means of remittance must be silver. Under these circumstances, India will never possess gold in adequate quantities. The balance due to her on trade

will be paid in silver; in the main, she must take that metal and none other. And she will possess no other precious metal wherewith to pay whatever there is to be paid by her in specie. She will have, then, only her silver and her produce wherewith to discharge her obligations.

42. But as England has a gold currency, the payments must be made in that metal, so far as they have to be made in money at all. And as India has to pay in gold, she must obtain gold either by means of her silver or her produce. This is the real basis of the transaction, though in practice India does not generally make her payments in specie. She receives gold in England from purchasers of bills called Council drafts, and pays to the holders of these drafts silver from the Indian Treasuries. But the payments are settled and adjusted in gold, and the difference chargeable to her on this adjustment comes to the same thing as if she had purchased with silver, or produce, the gold wherewith to make payment.

43. This arrangement appears to be inconvenient to India in various ways.

44. In the first place, she obtains her silver through England. The cost of effecting this is considerable. Then she has virtually to bear the charge of exchanging silver in her own limits for gold in England, and the cost of that, again, is considerable. It would be more economical, and more convenient, if she herself possessed the gold in which the payments had to be made. If her currency were to be gold, then she would always possess quantities of the very metal in which her obligations have to be discharged and her account adjusted.

45. If the currency of England had been silver, then the argument would be somewhat altered. At present India has a sort of double difficulty. Firstly, she has to make this great payment annually, in itself a difficulty. Then she has the additional difficulty of purchasing the metal in which the payment is calculated. This additional burden is caused by the present state of the currency. And this must aggravate the charges to which India is subject.

46. Again, under the existing status, the relative value of silver to gold is the regulator in all respects of the cost of these transactions to India. The value of silver is, of course, liable to fluctuations. For the value of gold in England being determined by law, and that of silver being not so determined, these fluctuations as regards silver are appreciably great, and are sometimes embarrassing by reason of the trouble and expense which they cause. Within India the value of silver is indeed determined by law, but that fact is of no use nor validity in respect to the exchange with England. Now, this difficulty would be mitigated, perhaps almost removed, if India had also a gold currency, with the same status as that of England, that is, with the value determined by law.

47. Mr. Goschen, in his work on Foreign Exchanges, writes:—

"Considering the case between silver and gold. "When a bill on Hamburg payable in silver is bought "in London for a certain price, payable in sovereigns, "what will determine the value? * * * * Gold "is simply merchandise in such countries as have a "silver currency, and silver is merchandise in such "countries as have a gold standard; and according to "the price of the merchandise at a given moment, so "will the exchanges fluctuate. When a bill on "Hamburg is to be sold in London, all the previous "elements of value will have to be taken into considera-"tion; the rate of interest in the two countries, the "state of credit, relative indebtedness, and so forth, "but the value of silver in England will enter largely "into consideration, or, in the opposite case, the value "of gold in Hamburg."

Now, it seems to me that, *mutato nomine*, the same story might be told of the exchange between England and her Indian dependencies, and that the process inevitably places India at a disadvantage.

48. Thus I contend that there should be one standard only of value for the two countries; in other words, that the standard for India should be the same as that for England; that India is specially entitled to this advantage because she is more conveniently situated as respects the gold-producing regions than the silver-producing regions, and because gold is the currency of the country to which India has to make such great payments; and that a gold currency would not only cause a saving to India in the procuring of so important an article as specie, but would also lessen the difficulties arising from the pecuniary obligations of India towards England.

49. There is one more point to be noticed, which is this: it is observed by the Financial Secretary, Mr. R. B. Chapman, that when, upon the establishment of a gold standard, silver came to be demonetised, and the intrinsic value of the rupee to be diminished, the effect on the native mind would be bad. Mr. Chapman's words are: "It follows that we shall have to "substitute for the use of the masses of our popu-"lation a token silver currency for the present "full value currency. Are we at all certain what "the effect of this will be upon the ignorant popu-"lation, or how a silver token currency will work "alongside of a full value Native State silver "currency?"

50. It is quite true that the natives will always look to the intrinsic as well as to the nominal value of the rupee. Though the new rupee, with a less intrinsic value of, say, 6 per cent., may pass in currency for the same value as the old rupee, still the natives will not estimate it so highly as the old rupee, because they use rupees for melting and for hoarding as well as for currency. All this may be admitted to the full. But what then? I fail to perceive what evil would follow. It is said that the natives would prefer the rupees of Native States, in which the proportion of alloy might be less than in the demonetised British rupee. It might not be of much consequence if this were to be the case. But it by no means follows that any such consequence would arise. If natives closely estimate the grains of fine silver in the rupee, they will weigh accurately the British rupee against the Native rupee. And the British rupee will be valued at its weight in fine silver, at least. Besides this, it would have the advantage of being legal tender in British territory for small amounts, which the Native rupee would not. And this advantage must secure the preference to the British over the Native rupee, as silver to silver.

51. It might be said, of course, that the British rupee would cease to possess the estimation it now possesses, and this portion of our currency would decline in reputation. Very true, no doubt. But, on the other hand, we should have given the country a gold currency the coins of which would rise rapidly to the highest repute, and to a degree of estimation to which even our silver has never yet risen. I believe that no coins that ever were coined in this country would be so popular as the gold legal tender coinage of the British Government. In other words, while we deprive the people of the old silver standard, we give them in return a superior gold standard. And thus the last state of the currency would be far better than the first.

52.* Further, it is sometimes urged, as a reason against introducing a gold currency, that there is

* Silver Coinage.

	£
From 1801 to 1834–35 - -	63,631,833
From 1835–36 to 1870–71 - -	196,776,414
	260,408,247

Gold Coinage.

From 1801 to 1834–35 - -	11,060,148
From 1835–36 to 1870–71 - -	2,061,972
	13,122,120

Total Gold and Silver Coinage.

From 1801 to 1834–35 - -	74,691,981
From 1835–36 to 1870–71 - -	198,838,386
	273,530,367

Imports, Gold.

From 1801 to 1834–35 - -	9,455,635
From 1835–36 to 1870–71 - -	95,030,569
	104,486,204

Exports, Gold

From 1801 to 1834–35 - -	2,033,442
From 1835–36 to 1870–71 - -	3,015,342
	5,048,784
Net Imports - -	99,437,420

never likely to be a sufficient quantity of gold available to justify its being declared legal tender. The quantity of specie required for circulation in India was estimated, 15 years since, at 150 millions sterling, or rather, that was the supposed value of the silver coins in circulation. Within this century the net importation of gold has exceeded 99 millions, but only a small portion of it has been coined. Having regard to the long period that coin lasts, the coinage may now be estimated at more than 150 millions sterling, and the amount of gold bullion and specie in India is within this amount. These several quantities may not indeed be precisely known. But it is quite true that the amount of gold available or obtainable in India under present circumstances is very small, as compared with silver, and is not as yet nearly enough for what the requirements of the country would be after gold being declared legal tender. But though I admit all this to the full as fact, I do not at all admit it as a reason for refraining to declare gold to be legal tender. For, manifestly, the gold, having been once declared to be legal tender, would become one of the needs of the national existence. Gold would be an article which the country must purchase; and with its large surplus of exported produce over imported goods, and with an ample balance of trade in its favour, the country would have no difficulty in purchasing gold, which metal it could, as has been seen already, obtain direct from Australia on reasonable, perhaps even on favourable, terms. If, then, the need of gold for currency in India were to be anticipated, its influx into the country would be a matter of a few months, perhaps only of a few weeks, and the want would hardly have begun to be felt before it was supplied.

Before concluding, I would add that experience does not shake my belief that the relative value of gold and silver is represented according to scientific theory and principle by the present gold coinage of India, that is, 120 grains gold piece to 10 rupees; that the present rate offered by the Government of India in 1869 for the English and Australian sovereign, 10¼ rupees (ten rupees and four annas), coincides as nearly as possible with that standard; and that the conclusions arrived at by the Currency Commission in 1867 are sound. It is true that very few sovereigns have been received in the Treasuries since 1869, but this circumstance is attributable, not to any defect in the rating (10¼ rupees to the sovereign), but to the state of the exchanges, which have precluded the importation of gold bullion, silver being sole legal tender. How can gold compete with silver in India, while the latter has a value fixed by law and the former has not? I understand that, as a matter of fact, gold can still be laid down in India at something *less* than 10¼ rupees for the sovereign; and that so far the 10¼ rupees rate must yield a profit on the importation. If that be so, then this rate would still seem to be the right one. And the non-arrival of gold must apparently be due to artificial causes, which amount to this, that gold is at a disadvantage as compared to silver, which is favoured by law. If this be so, then the fact that gold sovereigns command in the market at most times a higher price than 10¼ rupees and the 120-grain gold piece a higher price than 10 rupees, must be owing to adventitious causes, and to the circumstance that, the supply of these coins being very limited, there is a sort of fancy demand for them which is no criterion of what their value would be under a different status.

I still hold to the opinion that if it were determined to have a gold currency, we should mainly employ our Indian gold coins for that purpose. I would not object to make the sovereign a legal tender for 10 rupees and 4 annas. But the sovereign being worth 10 rupees and a fraction over, there might be some slight trouble of calculation in changing it for silver, and this would be a drawback in respect of the use of the sovereign as currency in India. And if this objection were urged, I would not press for the sovereign being declared legal tender. But we should continue, under any circumstances, to receive the sovereign in our Treasuries at the present rating.

I believe that a repugnance is felt by some to the present determination of the question of a gold currency in India because of the prospect of some universal coin being adopted internationally. But the prospect seems practically to be almost disappearing. At all events, the Report of the English Commission on International Coinage, presided over by Lord Halifax, seems to be quite adverse to any change in the value of the English sovereign.

I have not dealt with the objection which has been sometimes urged to a gold currency, to the effect that the National Debt, and the paper currency, are calculated in rupees. For the objection has been disposed of more than once in the papers relating to gold. The sum seems to me to be this—we promised to pay in rupees, and we should pay in gold determined by law to be equivalent to rupees.

I have hardly in this paper undertaken to treat of all the points connected with this important subject, still less to discuss all the collateral matters which might suggest themselves for discussion. But the subject in all its bearings has been dealt with in the Report of the Indian Currency Commission of 1867, in the volume of printed papers relating to gold currency in India, in the file of correspondence relating to the revised notification of 1869–70, and in the additional papers now submitted. I am unwilling to add more than I can help to the mass of writing which already exists.

In conclusion, I would ask early and favourable consideration to the proposals of Mr. Dickson, which I will give in his own words:—

"I.—To authorise the receipt of English and Australian sovereigns into all the Government Treasuries of India, without restriction, and whether tendered in payment of Government dues or in exchange for silver.

"II.—In conformity with the provisions of the Currency Act, to authorise the issue of currency notes in exchange for gold bullion tendered at the mint for coinage into Indian gold sovereigns at the rate of 10 rupees for 120 grains of gold of standard fineness, less seignorage."

I believe that these recommendations are safe and practical. They are the first steps towards a gold currency. If they succeeded, their usefulness would be too plain to require description. If they did not succeed, still no harm would be done. If in consequence we were to have any quantity of gold on our hands which could not be conveniently disposed of in India, we could use it for the remittances to England without loss, and perhaps even with profit.

But if, after the adoption of such measures, gold bullion should not be imported; if sovereigns should not be received at the Treasuries; if doubt still existed as to whether the relative value of gold and silver is correctly determined by our present rating and coinage; then I hope that the matter may not be allowed to drop. If the present rating of 10¼ rupees, and the present weight of 120 grains, are not proper (as hitherto we have affirmed that they are), then what rate and what weight are proper? Nobody supposes that we have offered too much silver for the gold; then, if this offer be not the proper one, is it really too little? Ought we to offer more? These are questions which, as I submit, the Government of India ought to be able to determine. These are questions which have been determined by every civilized nation that has adopted a gold currency. No doubt it is a difficult and important problem, but it cannot be insoluble, and it ought to be solved. If the enquiries which have been made, and the data which are available, be not sufficient, then another Commision might be appointed, so that the matter could be brought to an issue one way or the other; and that all the facts and considerations could be brought up to date.

R. TEMPLE.

15th May 1872.

No. 13.

ACT No. II of 1898.

Passed by the Governor General of India in Council.
(Received the assent of the Governor General on the 21st January 1898.)

An Act to provide for the issue of currency notes on the security of gold received in England.

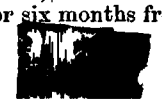
WHEREAS it is expedient to provide for the issue of currency notes on the security of gold received in England; it is hereby enacted as follows:—

Short title, commencement and duration.

1.—(1.) This Act may be called the Indian Paper Currency Act, 1898.

(2.) It shall come into force at once; and

(3.) It shall remain in force for six months from its commencement, and no longer.



Addition of new section after section 13, Act XX of 1882. Issue of notes against gold received in England.

2. After section 13 of the Indian Paper Currency Act, 1882, the following section shall be added, namely:—

"13A. The Governor General in Council may, from time to time, by an order notified in the 'Gazette of India,' direct that currency notes shall be issued at such offices of issue as are named in the order to an amount equal to the value of gold held by the Secretary of State for India at the rate, and subject to the conditions, fixed by that order:

"Provided that—

"(1.) The power conferred by this section shall not be exercised unless the Secretary of State for India shall consent to hold in gold coin or gold bullion what he shall determine to be equivalent in value to the notes so issued, as a reserve to secure the payment of such notes, until he shall transmit the same, or what he shall determine to be equivalent to the same, in gold coin or gold bullion to India, or until the Government of India shall appropriate and set apart in India, as a part of the currency reserve under section 19, an amount of coin of the Government of India equal in value to such notes;

"(2.) Gold coin or gold bullion so remitted shall be deemed to be received, within the meaning of section 19, when it is received in India by the Governor General in Council; and

"(3.) Gold coin or gold bullion so retained shall, until its arrival in India, be distinguished from other gold coin or gold bullion in the abstract account published under section 27."

C.—*Letters and Memoranda containing suggestions as to the method of establishing a Gold Standard in India.*

No. 14.

LETTER from Mr. CLARMONT DANIELL.

SIR,

I TAKE advantage of the intimation with which you have favoured me, that an expression of my views as to the source from which the gold for a gold currency in India could be drawn would be acceptable to the Currency Committee, to state as follows:—

I am of opinion that the proper quarter to turn to for procuring gold for legal tender currency purposes in India is the country itself. A standard money, the supply of which depends on the wealth of the people and their inclination to provide it, is the safest test of the value of commodities, because the supply on these terms grows with the growth of commerce, and expands and contracts automatically with variations in the value and the mass of the goods under exchange in the trade of the country. As a circulating medium such a currency will always be more adequate to the work it has to perform than one of an artificial character, which depends on the management and control of an administrative department for its efficiency. In India, two economic conditions for a regular supply of gold as money are present. A vast treasure of gold available, or at least in part available, for the purpose; and a foreign trade, of which the balance for long periods of time is in favour of that country. The first provides the material immediately required for the coinage of gold money, and the second—from the power with which it invests India as the creditor country to compel payment of foreign obligations due to her in gold—secures a supply of gold from foreign parts to supplement that already existing in the country.

The latter point I need not dwell upon, for, I presume, that it is not open to question. The former is that upon which doubt has been thrown. Quite recently one of the members of your Committee, Sir David Barbour, whose opinion carries—and deservedly carries—great weight, gave it as his decided opinion that the expectation that the people of India would bring out their hoarded gold and put it into circulation as money, would prove quite delusive.*

As I believe that the key to the solution of the currency problem in India is to be found in a change of the standard, and in the ability of the commercial classes in that country to supply all the gold they may require for money without drawing an ounce from the western world, except in the ordinary reciprocity of trade, I beg to submit the following circumstances to the consideration of your Committee.

My estimate of the gold treasure* existing in India, and the way in which I have arrived at it are known to the Committee. It is sufficiently large to provide ten times the gold required for currency purposes. It has been said that the gold required for this object could only be procured by melting down the gold ornaments off the persons of Indian ladies of rank. Whatever portion of this stock of gold may be held in India in the form of jewellery, a much larger portion is held in bars, gold leaf, gold dust, and gold coins of Indian and foreign countries, ancient and modern. The possession of gold in this form is the basis of the credit of many mercantile houses. I take it that there are few traders, among whom it is a universal practice to issue bills of exchange, who do not hold a stock of gold small or great. Were this capable of being coined and used as money, it would serve its present purpose as well as it does now in the form of bullion, and it would obtain the advantage of being open to use as money besides. It is asserted that these stores of gold once coined would go back again into their hiding places, upon the following argument: "A native "banker would say, 'I can get 1,000*l.* sterling for so "many rupees at the present time, and as the ex- "change may go to 1*s.* 3*d.*, and the 1,000*l.* be worth "more rupees, I will take that 1,000*l.* and keep it in "a box and let the rupees circulate'".

This purchase of gold with silver would be a transaction of a very common class, and the trader being a man of business—and it is such persons only whose operations need be considered—would, on the hypothesis, purchase silver when it became 1*d.* cheaper and make his profit, and put his 1,000*l.* into circulation again. It would be in his box or in a bank or perhaps invested in some easily-negotiable security until the turn in the silver market came. The gold would not be hoarded in the sense of being excluded from actual or potential circulation. Mercantile men when they deal in the exchanges expect to realise their profits from a series of transactions, and are not content with buying single bags of gold coins and locking them up for the rest of their lives. Furthermore, dealings of this kind in bullion form a very small part of the whole commerce of the country, for which the use of gold as money would prove in every way beneficial. No doubt gold would be bought to be put away as a provision for old age or against evil times, just as it is in European countries, notably in France, where silver coin is largely hoarded; but in India no more than in that country would this practice interfere with or restrict the use of gold money in trade. The only case which occurs to me in which a trader who might be expected to possess gold and does not, is that of the man who, finding that gold is of no use as money, has long since parted with his stock of gold and substituted silver for it; but this is the class of man who would immediately take advantage of a gold legal tender currency to use gold money in every kind of business in which he could do so with more profit than by using silver.

I have shown that the effect of a demand for coin is to bring out hoarded money.† Thus in the eight years following 1880, 51 millions of rupees, principally, if not entirely hoarded coins of obsolete currencies, were brought to the mints to be recoined with the Queen's head; and I think I have shown that the expansion of trade, and its consequent calls upon the hoarded stores of silver in India, has reduced the hoards of that metal to comparatively insignificant proportions. The same cause, which in the present state of affairs would become from the recent and impending reductions of British minted rupees in India more cogent than ever, may be relied upon to make it more profitable to circulate than to hoard gold money, if it were once made legal tender.

The true basis of a national currency is the wealth of the people, of which stores of gold and silver form one constituent. If a fair field is opened to the use of gold money, it will be forthcoming in such quantities as can be profitably employed in commerce. This is true of the store of silver out of which from the commencement of our rule up to 1893, a large part of the sum of 2,800 millions of rupees had been brought into actual or potential circulation. I believe that estimate of the silver currency of India, as it stood in 1890, is not over the mark, although I understand that one

* "Journal of the Society of Arts," May 1898, page 579.

* "Industrial Competition of Asia," p. 244–249.

† "Industrial Competition of Asia," p. 254, 255, and pp. 315–320.

accepted by Government puts it a lower figure. The same is true of the store of gold out of which the standard money of Great Britain is coined. Both kinds of money are supplied by the free volition of the mercantile classes, acting under the motive of self interest; and with what reason it can be asserted that directly gold is used as money in India, this class of people would run counter to the habits of centuries and to their own obvious interests, and that their proceedings would contradict the universal experience of mankind in this connexion; remains to be stated by those who profess that belief. I venture to say that there is not a scrap of evidence producible in favour of the theory that under our Government in India, the hoarding of gold, which is the result of a sense of insecurity and the uncertainty of trade ventures, would interfere with an adequate supply of gold metal to the mints for conversion into money, by the free contributions of those who desired to use it for profit; and on the other hand, the evidence to the contrary, of which the following is a brief and partial summary, puts such a theory out of court.

That the people of India have used gold money from time immemorial is an historical fact beyond dispute, it is only in British India, and since the demonetising of gold by the East India Company in 1835, that its use has fallen into abeyance. In 1866, Sir William Mansfield, Sir H. Sumner Maine, and Sir William Grey, were appointed by Government to inquire into this subject, and they reported that gold coins of various descriptions were sought for in the Provinces for trading purposes by merchants and bankers, and that the demand for a gold currency was general, almost unanimous. They further ascertained that in Bengal and in Madras bar gold was in circulation in about one district out of every three, while in Bombay gold circulated in the same form in four districts out of every five, and that the hoarding of gold was universal.

Sir Charles Trevelyan, who had a large experience of India, has recorded his opinion that the natives of India have never acquiesced in the exclusion of gold from the currency.

In 1813, the Madras Mint Committee reported that gold had from time immemorial been considered the standard of value by which the pay of the troops and the collection of revenue had been valued; and that in the southern districts of Madras, the introduction of the rupee would overthrow the whole system of native accounts.

Sir John and General Richard Strachey, in their book on "the Finances of India," say that there is no real evidence that the people prefer silver to gold by reason of the small amount of their transactions; that towards the end of the last century, gold coins circulated freely with silver in most parts of Bengal, and about half the revenue was paid in gold; and that during three quarters of a century the impediment to the circulation of gold money has arisen from its not having been legal tender or from its improper valuation in silver.

In 1827, when the new rupee was introduced into Bombay, Mr. Bruce, a member of the Mint Committee, urged that a restoration of the gold currency would facilitate mercantile speculations and promote the convenience of the public generally, and would be the means of conferring a great public benefit.

A great deal more can be added to evidence and argument of this kind, referring to the effects of gold money on steadying the exchanges, on supplying a void, which in the future must certainly often occur, in the requirements of the people for coined money when rupees fail, and on securing for those using gold money the command of the markets; but I will not extend this letter, and I would refer your Committee to those parts of my book already cited, in which the subject is discussed at great length.*

The present seems to me to be an opportunity of utilising to the great benefit of the trade of India, the gold which is stored up in that country. The occasion may not recur for a long while or until some measure with that object is forced upon the Government by the pressure of still greater complications than those which the Committee is now considering; and I, therefore, address you in the hope of counteracting views on the ability and inclination of the people of India to provide their own material for their own gold money, which however widely they may prevail, are, I am satisfied, erroneous in fact, and mischievous in their practical application. On the general question of a gold currency, and the proper means of establishing it and keeping it in circulation, I cannot enter on this occasion without being carried far beyond the scope of this letter.

I have, &c.,
CLARMONT DANIELL.

The Secretary to the
Currency Committee, India Office,
June 25th 1898.

* "The Industrial Competition of Asia," pp. 269 to 279, &c.

No. 15.

Memorandum by MR. F. ATKINSON, F.S.S., on the method of establishing a GOLD STANDARD for INDIA.

So far as the Government is concerned the main object of a Gold Standard for India is to obtain fixity of exchange for the rupee in its relation to the sovereign within defined limits, in order to diminish, as far as possible, the loss on India's gold obligations to England, while a minor benefit desired is to encourage capital to enter the country for permanent investment, and thus assist its development. So far as the merchants of India are concerned, the same object is also aimed at, but accompanying fixity of exchange, and of greater importance, the conditions must be such as to draw loanable capital into the country to enable trade to be profitably carried on. So far as the people of the country are concerned, fixity of exchange is desirable to inspire confidence in the Government currency amongst the ignorant masses, but this fixity must be carried out in such a way as to cause the minimum of loss to the millions who have wealth in coined and uncoined money.

The Government of India made proposals for a gold currency somewhat on the lines of the system in force in France. These proposals involve the remittance of large sums of gold sovereigns to India, and have therefore been condemned by London bankers, without whose aid it would be practically impossible to carry out any such scheme. The proposals do not contain conditions of convertibility, and on the other hand they contain conditions of further contraction of the currency, which entail a further curtailment of loanable capital and dear money, and consequently the proposals have also been universally condemned by the merchants of India.

The only other scheme that has so far received any attention is the one advocated by Mr. Lindsay; the scheme previously offered by the author of this paper being a modification of that scheme.

The objections raised to this scheme by the Government of India, and by the public in England and in India appear to be—

(1.) That it places the *onus* of unlimited liability on the Government.
(2.) That such unlimited liability must necessarily cause a failure of the scheme, as the gold reserve in England would disappear every time it was replenished.
(3.) That it is failing in its automatic conditions inasmuch as the Government will be required to melt down or coin rupees at their own will and pleasure.
(4.) That England will be drained of gold, by its remittance to India, the sovereign being drawn from the reserve by sterling drafts on London drawn in India.

The replies to these objections are:—

(1.) That without unlimited convertibility of the rupee no confidence can be established, and consequently no loanable capital will enter the country.
(2.) That the working of the ordinary economic laws on the balance of trade and prices will bring about the necessary adjustment, and exports and imports will sooner or later be regulated without infringing on the gold reserve.
(3.) That the scheme is practically automatic, as the condition of the currency will clearly show when it is necessary for Government to take action.
(4.) That there is no reason to suppose that sovereigns would be imported to any greater extent than at present.

Whether the dangers feared actually exist or not is immaterial, the fact remains that London bankers and economists have decided that they do, and without the aid of Lombard Street, no gold standard could succeed in India. The purpose aimed at therefore in the scheme now offered is to counteract the possibility of any such dangers.

(1) and (2). *Unlimited Convertibility.*

There is no doubt that no scheme can be successful in India, without unlimited convertibility at fixed rates within certain narrow limits. Without such a condition no capital will enter the country and without capital a fixed rupee, high or low, is useless to trade. In every country with a successful gold standard, unlimited convertibility is practically a condition, and this is made possible by the power of the country to draw gold into it when wanted, and preventing its export when it cannot be spared. In France, for example, if the gold Reserve falls low, the bank rate is raised, and gold is accordingly drawn into the country, and this rate continues high as long as additional gold is required. It may happen, however, that a more favourable rate is obtainable elsewhere, and the capitalist who sent gold to France may wish to withdraw it to send elsewhere. But it may also happen that France cannot spare it, and she therefore places a premium on its export. This has the effect of keeping the gold in the country, but the knowledge that this may be done does not prevent the gold being sent to the country when the rates are favourable.

There appears to be no reason why a similar principle should not be applied to India, and thus reduce all risk of unlimited convertibility to a minimum.

The suggestion under Mr. Lindsay's scheme is that the rupee is to be convertible into gold for unlimited amounts at rates varying from 15$\frac{3}{4}$*d.* to 16$\frac{1}{16}$*d.* to the rupee, the idea being that this margin of 2 per cent., is a sufficient check on unlimited convertibility by raising the price as the demand increases, whereas on the other hand a wider margin would cause the bank rate in India, whenever money was wanted, to rise to an inordinate height, and thus seriously hamper trade. The example of foreign countries shows, however, that, if the credit of a country is good, and convertibility at a fixed rate is ordinarily obtainable, though an increase on that rate is liable before reconversion under certain circumstances, money can be obtained up to the full limit required. If therefore instead of granting convertibility of the rupee at marginal rates, the rate is fixed, and when a run on gold in the Indian Reserve is made, a premium is charged for it, the demand for gold from the Reserve would at once cease, whilst at the same time the credit of the country would ensure the enforcement of the premium on rare occasions only, and would not therefore interfere with the flow of loanable capital into India. If for example the rate of convertibility of the rupee was fixed at 16*d.* and a run was made on the gold in the gold Reserve in England, following the example of foreign countries, a premium of one or more per cent., according to circumstances, would ordinarily at once stop the demand in India for Sterling drafts. On the same analogy if gold was wanted to replenish the Reserve, a premium on the gold by offering a larger number of rupees for silver bills on India would also prove effective. If on the other hand the gold Reserve in London rose higher than necessary, an adjustment could at once be made by the reduction of one or more per cent. in the number of rupees offered.

(3.) *Automatic Conditions.*

A currency can ordinarily only be absolutely automatic if free coinage of the metal which constitutes the standard exists. A gold currency in India is impracticable, and it would therefore be useless to open the Mints to gold, but there seems no objection to open the Mints to free coinage of silver, after its value had been raised to the ratio it is required to bear with the standard of the country. For example if an import duty was levied on silver, raising its value to 16*d.* to the rupee, there would be no objection to opening the Mint under specified conditions, except that even with its enhanced value, the coinage might become excessive and expand the currency and cause prices to rise, and thus affect the balance of trade adversely. But, on the analogy of foreign countries again, this could be remedied by temporarily raising the rate at which silver is received, and it would cease to become profitable to import it for coinage purposes, and the necessary adjustments would follow in ordinary course, the rate eventually falling to the authorised rate.

If the Mints were re-opened to free coinage under the conditions to be named hereafter, without any other accompanying measures, the rupee would ordinarily continue to gravitate round the point fixed (16*d.* to the rupee), but there would be no finality in such a measure, and consequently no confidence, and both permanent and loanable capital would remain nearly as scarce as at present. The re-opening of the Mints, as suggested, would serve as a prop to the scheme of convertibility by strengthening the position of the rupee at its fixed price of 16*d.*, but the main object gained would be that the supply of currency would be automatic, precisely as if the Mints were open to the free coinage of a gold sovereign worth 16*d.*

(4.) *Remittances of Gold from England to India.*

The remedy for this is simple. No gold is required in India, and if imported, it is imported as a luxury only, and no objections could therefore be raised to an import duty being levied on it. A duty of 10 per cent. would be an effectual remedy, and probably 5 per cent. would be sufficient.

The proposals now offered are accordingly as follows:—

Details of the Scheme.

1. A duty of 10 per cent. (or 5 per cent.) to be levied on the import of gold into India.

2. A duty to be levied on the import of silver into India, so as to make the price of silver bullion equal to the price of silver in the rupee. The duty so fixed to be announced on the Monday of each week.

[The great divergence between the price of silver and its nominal value as a rupee causes bullion to take the place of hoarded rupees, resulting in an expansion of the currency, and in a heavy import of the metal, which provides a serious and hurtful competition with Council Bills, and materially aids in causing an adverse balance of trade. In the three famine years 1873-74, 1876-77, 1877-78, an aggregate of Rx. 3,403,384 in value of Silver was tendered to the mint for coinage in excess of the net import of the metal, indicating the melting down of ornaments. In 1897, the greatest famine year of all, there was a net import of silver to the value of Rx. 7,853,870 which could not be coined, indicating on the precedent of former famine years, that the bulk of the metal took the place of hoarded rupees, inflating the currency, and interfering with the natural balance of trade. The duty will also have the effect of raising the value of silver now in the hands of the natives, and thus preventing, to some extent, the loss caused by the raising of the former value of the rupee in its relation to silver.]

3. The Indian Mints to be re-opened to the free coinage of silver under the following conditions:—

(*a.*) If silver, which has paid import duty, is transferred direct from the vessel to the Mint authorities, no seigniorage will be charged.

(*b.*) If silver already in the country is tendered for coinage, a seigniorage will be charged equal to the price paid if the silver was newly imported.

4. A Government loan of 15,000,000*l.* to be obtained in London and lodged in the Bank of England on account of India. When the gold standard is effectually established, 10,000,000*l.* of this Reserve to be invested in Consols.

5. The system of payment of India's gold debt by the sale of Council Bills to the highest bidder to be abolished and in lieu thereof, silver bills on India to be obtainable for any amount and at any time at the Bank of England at the fixed price of 15 rupees for every sovereign in even hundreds tendered, subject to a minimum tender of 10,000*l.*, and Gold Bills on London to be obtainable at the Presidency Banks in India for any amount and at any time at the fixed price of 16*d.* for every rupee in even thousands tendered, subject to a minimum tender of Rs. 100,000. The gold thus received or drawn in London to be added to, or taken from, as the case may be, the Gold Reserve held in the Bank of England, and the Rupees received or drawn in India to be added to, or taken from, as the case may be, the Government cash balances in the Presidency Banks.

The Home charges to be paid by the Government of India on the requisition of the Secretary of State from time to time according to requirements, by the purchase of gold bills on London at the rate fixed, the equivalent in rupees being retained in the cash balance in India. [A separate fund in India to meet silver bills appears unnecessary]. The money thus realized in London to be transferred to the India Office cash balance for disbursement as required.

6. When the balance of trade goes against India, and a run is made on the Gold Reserve in London, a

premium of one or more per cent. to be charged on sterling drafts so long as the run continues.

[This would be equivalent to France levying a premium on the export of gold under similar circumstances].

7. If the gold reserve falls below a fixed mimimum, silver drafts on India to be temporarily offered at a premium in rupees of one or more per cent. Under certain circumstances, dependent on the state of the reserve, and the run on it, this condition to be put in force in conjunction with No. 6, and to continue till the gold reserve had become sufficiently replenished

8. If the gold reserve rises above a fixed maximum, silver drafts on India to be offered at a reduction in rupees of one or more per cent.

9. If an adverse balance of trade is due to an inflation of the currency, an additional premium of one or more per cent. to be charged on the coinage of Silver. This charge to continue till the necessary adjustments are complete.

Calcutta,
June 15*th* 1898.

No. 16.

LETTER from Mr. J. G. WARDROP, advocating Payment of IMPORT DUTIES in GOLD.

Acland House,
SIR, Colombo, 23rd May, 1898.

I HAVE always taken a deep interest in the efforts of the Indian Government to place the currency of that country on a sound footing, believing that, if their efforts to establish a stable currency at the rate of 15 Rs. to the 1*l.* sterling were successful, it would create that confidence which is required to ensure a steady flow of capital into the country, with its consequent development, and the improvement of the condition of its vast population.

The foregoing is my excuse for laying before your Commission, the following proposals for bringing the present policy to a permanent and successful issue.

1. I would propose that all duties leviable on imports into India be paid to the Government in gold calculated at 15 Rs. to 1*l.*

2. To facilitate the payment of such duties, I would propose that these be made payable either in sovereigns or in special gold notes, the latter to be issued by the Government against deposits of gold, made either in London or at the Government Treasuries in India.

3. The gold notes, issued as above by the Government of India, in India, to be exchangeable, at the place of issue, either for gold or rupees at 15 Rs. to 1*l.* at the option of holders. Gold notes issued by the Government of India in London to be exchangeable for gold only at London, or silver in India. (This latter proviso is necessary to prevent the notes being used as a means of simply transmitting gold from London to India.)

4. It is obvious that collecting these customs duties in gold would have the effect, in time, of gradually replacing the present Government silver reserves by gold at 15 Rs. to the 1*l.*, and of releasing a large amount in silver, and thereby permanently increasing the currency of the country, which is one of the objects aimed at, and that on a gold basis.

5. At a time like the present when currency is scarce in the country, the notes above referred to would be available for mercantile transactions, and if, at any time, exchange rose to 1*s.* 4*d.* per rupee, it is probable they would be to some extent exchanged for silver at the Treasuries, which would still further go to strengthen the Government gold reserve.

6. Seeing that the present policy has been one largely favourable to importers, who have benefited to a very great extent by the recent rise in the sterling value of the rupee, they would have no reason to complain of their having to pay import duties in gold at 15 Rs. to the 1*l.*

7. As the accumulation of gold by the Government, proceeding on the above lines, would be very gradual, it would not have any disturbing effect on the money markets of the world.

8. The fact of the Government holding a steadily increasing quantity of gold as against its rupee currency would have the effect of giving that currency a stability it does not now possess.

9. The use of the gold notes, as proposed, would gradually accustom the mercantile classes to the use of gold in their transactions, and pave the way at some future time for the issue of a gold coin, equal in value to our British sovereign; the silver rupee being ultimately relegated to the same position in the currency of India, as that now occupied by the franc in the currency of France.

10. The collection of custom duties in gold, while the currency of the country is in a different form, is nothing new. In the case of the United States of America, during and long after the Civil War, the custom duties were so collected, and it was found no great hardship to the mercantile community, as I can testify from my own experience in New York.

I am, &c.,
JOHN G. WARDROP.

The Right Honourable
Sir Henry Fowler, M.P.
Chairman of the Indian Currency Commission.

No. 17.

PROPOSALS of Mr. H. P. GYLES.

29, Bread Street, Queen Victoria Street,
London, E.C.

To Right Hon. Sir H. H. Fowler, M.P.

SIR, 28th May 1898.

THE enclosed paper would, I think, solve the question of rupee currency if adopted by Government without a gold coinage in India or upsetting small native transactions in silver; of course the mints to be closed against coinage of silver except for Government demand.

The exports and imports of India about balance themselves. It is Council Drafts, Pensions, Railway Dividends that cause the balance of indebtedness.

This amount after all is small compared with the vast size and now steadily improving position of India.

I certainly think it is worth the while of the Governments of England and India to run some risks to give India a fixed exchange, so that English capital can be sent out and *brought home again* at a certain fixed exchange like 1*s.* 4*d.* You must please recollect that it is the uncertainty of exchange that has kept English capitalists out of India.

Stockbrokers are against rupee investments.

Once give a fixed Government exchange and money could be sent out and brought home this time 10 years without loss.

Light railways are wanted in India, give a fixed exchange and English capitalists would make them.

You see I provide for drawing any large sum in gold from Bank of England by providing that rupee Government currency notes must first be purchased in India with Government silver rupees before they can be cashed for gold in London, the risk of a large operation in this way is so small that it is worth running.

Capital to any large amount coming back from India would have 14 or 16 days' notice, while the notes were coming home by post.

I am,
Your obedient Servant,
H. P. GYLES.

Enclosure to above letter.

I. *In India.*

Gold Standard without a Gold Currency.

1. Make silver rupees legal tender up to Rs. 500.

2. Government currency rupee notes legal tender to any amount.

3. When gold is required in India, offer a small premium. Thus, say, English price is 3*l.* 17*s.* 6*d.* offer 4*l.* There is plenty of gold in India if you are prepared to buy at a price, same as any other article. Government can well afford a premium, seeing the profit on rupees coined at 9½*d.* and sold at 1*s.* 4*d.*

4. By closing the mints the Government have a practical monopoly of rupees the same as the Russian Government have in the rouble.

5. Issue rupee notes or silver rupees in any quantity to customers in exchange for sovereigns at a fixed rate, Rs. 15 = 1*l.*

6. Exchange sovereigns for rupees and currency notes at fixed rate, Rs. 15 = 1*l.* When money is dear in India at shipping seasons there would be a premium on rupee currency notes purchased in England for remittance.

II. *In England.*

At Bank of England.

Issue currency rupee notes on Bombay, Calcutta, and Madras in rupees, payable on demand to any amount asked for, in exchange for gold, Rs. 15 = 1*l.*

Again, cash rupee currency notes sent home from India for gold at fixed exchange, Rs. 15 = 1*l.*

No. 18.

MEMORANDUM by Mr. W. P. SYMONDS.

The literature on the Indian currency problem is sufficiently voluminous, and this memorandum will be confined to an enumeration of the measures which seem necessary for giving stability to the exchange value of the rupee, leaving argument for a future occasion. The proposals are intermediate to those put forward by the Government of India and those associated with the name of Mr. Lindsay. The objects aimed at are to avoid the costly expedients of a preliminary reserve of gold or a gold currency, and to protect the Government from liability of an inconvenient amount.

The plan now in force of issuing rupees in exchange for gold deposited either in London or in India is good as far as it goes, but it has the obvious defect that the depositor can have no confidence regarding the rate at which he will be able to get his money back. Measures are required which will supply this confidence.

The main proposal is that the currency notes now in circulation should be replaced by notes payable either in rupees in India on demand, or in gold in London six months after enfacement by the Secretary of State's representative. The notes might be of the denominations of Rs. 15, 30, 75, 150, 1,500, 15,000, and of the following form:—

"Government of India.

"I promise to pay on demand, after enfacement in "India, the sum of Fifteen Rupees.

(Dated) (Signed)
For the Government of India.

"I promise to pay six months after enfacement in "London the sum of One Pound.

(Dated) (Signed)
For the Secretary of State for India.

"This note will be enfaced in London after it has been enfaced in India."

It is proposed that notes in this form should be issued both in England and in India—to an unlimited extent for gold deposited in London or in India, and in India in exchange for the existing currency notes up to a limit of about four lakhs of rupees in any one day. Later on, the notes might be issued in exchange for rupees at the discretion of the Government.

A minimum rate, say 1*s.* 3¾*d.*, should be fixed for the sale of the Secretary of State's Council Bills, in order that rupees may accumulate in the Indian treasuries if the currency is so redundant as to depress exchange. The rupees should be stored for future use or as security for notes.

A fixed and substantial duty should be placed on silver imported into India. Eight annas per oz. is suggested. Should the price of silver rise to 42½*d.* the oz. (Indian Standard), in which case it is presumed the Indian mints would be re-opened, the duty would be removed.

The Post Office rate for money orders should be fixed at 15 rupees to the sovereign. The inland rate of commission might be charged on orders from England to India. On orders from India to England the commission might be 8 annas the sovereign or 2 annas for five shillings. The issue of money orders is restricted by rules, which would require some modification.

It is believed that the ordinary borrowing powers of the Secretary of State would be sufficient to meet the temporary liabilities entailed by the above measures before gold began to be deposited freely.

The gold deposited in London would partly be retained as a reserve and partly be utilised in meeting the Secretary of State's liabilities, and eventually in reducing the Indian gold debt. The gold deposited in India should be employed in purchasing silver as security for notes, and for coinage when required.

The scheme proposed has great simplicity, and it is believed that it would be effective in commanding confidence, which is all that is needed to keep the rupee steady between 1*s.* 3¾*d.* and 1*s.* 4¼*d.*, and give India the blessings of British capital. The fear is that the present deliberations may result either in nothing effective being done, or in some sweeping and drastic reform being attempted, which might have unforeseen results.

W. P. SYMONDS (I.C.S.),
Postmaster-General,
East India United Service Club, Bombay.
St. James' Square,
27th July 1898.

No. 19.

MEMORANDUM by COMMANDER HASTINGS BERKELEY, R.N., on the INTRODUCTION of a GOLD STANDARD into INDIA.

I assume that the Government of India, though desirous of introducing a gold standard in India, does not wish to disestablish the rupee as a full legal tender coin. If this assumption is correct, it becomes obvious, since that government also desires a fixed par of exchange between the pound sterling and the rupee at the rate of 16 pence to the rupee, that the settlement of the matter involves the introduction into India of a double standard of value, viz. the pound sterling and the rupee at a fixed rate of 1 to 15.

I assume, next, what the Indian Government also assumes, that the closing of the mints in 1893 has effected a relative contraction of the currency and has caused a rise in the exchange; further, that if the mints are kept closed the exchange will continue to rise until the limit of 16 pence (or a fraction over) is reached, when, the India Government being prepared to accept the pound sterling in exchange for 15 rupees, the rise will be arrested.

Instead of criticising in detail the proposals of the India Government, I will briefly state the method I advocate, when, as I think, the comparative inefficiency of those proposals will become evident.

The method is very simple. It consists in:—

(*a*) Keeping the Indian mints closed to silver.

(*b*) Enacting that the pound sterling or 15 rupees shall, at the debtor's option, be equivalent and legal tender to any amount in the discharge of debt.

(*c*) Repealing the Act by which the India Government undertakes to give 15 rupees for every pound sterling tendered.*

I submit that these measures would effect precisely what the Government of India has in view, and what, I believe, its own proposals will not effect, namely, the establishment of a steady par of exchange through the mediation of a marginal gold currency.

It is not difficult to conjecture without making any dogmatic or risky assumption, how these measures would work in practical application. Admitting that the currency continues to contract, whether the process be hastened or not, there will be reached a point—"gold point"—when it will be cheaper to remit gold to India than to buy bills for remittance. But "gold point" being something over 16 pence, it follows, unless the pound sterling be made legal tender for 15 rupees, that it (the pound sterling) will then be rated, in the Indian market, at something under 15 rupees. Now if the India Government is under obligation to give 15 rupees in exchange for the sovereign we can hardly escape the conclusion that, under these conditions, the remitted gold will go to the India Treasury in exchange for rupees. In other words, the expansion of the currency necessary to arrest the rise in exchange will take place in rupees instead of in gold. Hence as we move from the season of active to that of slack business in the India Trade and the exchange begins to droop, there will exist no automatic check to the fall which will continue until we move again from the slack to the active season. Capital will tend to be withdrawn from India as the exchange nears its fixed upper level, and will only be reintroduced when capitalists suppose that it has about reached its unfixed and uncertain lower level, a condition of things which would probably be accompanied by recurring periods of stress similar

* This of course would not affect the obligation of the Government as a creditor, nor its option, as a debtor, under (*b*).

to that which the money market in India is now suffering from. But if the measures which I advocate were adopted, the pound sterling being legal tender for 15 rupees and the India Government being under no obligation to exchange pounds for rupees or rupees for pounds, the gold remitted to India would be forced into circulation; that is, the expansion of the currency would take place in gold. Under these conditions any subsequent tendency for the exchange to fall would be checked by the establishment in India of a "gold point" approximately as much below 16 pence as the gold point in England is above 16 pence.

From the moment, then, when the exchange first rises to "gold point" and gold is actually shipped to India in payment of debt, we should have the inception of a gold marginal currency; and it is clear that this marginal currency, like a tide advancing by wave and refluent wave, would increase so long as the Indian mints were kept closed to the coinage of silver. When the process, in the opinion of the India Government, had gone far enough to provide a margin proof against exceptional disturbances of trade, it could easily be arrested by a restricted coinage of rupees on a principle not essentially dissimilar to that which guides French monetary policy in the coinage of five-franc pieces.

It is perhaps superfluous to point out that the method here advocated could be worked in conjunction with the measures which the India Government proposes for expediting the contraction of the currency, but it would be then unnecessary to raise a sterling loan of greater amount than that needed to replace the loss to the Indian Treasury on the melting down of rupees.

No. 20.

PROPOSALS of MR. SLATER, late of the Union Bank, London, for establishing a GOLD STANDARD IN INDIA.

Waverley, Swanage, Dorset,
SIR, 12th December, 1898.

A visit paid by me to India, some twelve months since, drew my attention particularly, as a business man, to the subject of the local exchange, and the condition of the currency in the country, which, if not caused, had certainly been largely affected, by the heavy fall in the value of silver in the markets of the world. Into the origin of this serious depreciation, it does not import now to enquire, suffice it to allude to the fact that the intrinsic market value of the coins in circulation in India has decreased since 1860–70, by one-third. As the volume of the circulation in 1886 was estimated by Mr. F. C. Harrison at 115 crores, this implies a loss to the community of 38 crores, or more than 25,000,000*l.* The extent of this shrinkage is in itself sufficient reason for the appointment of the Indian Currency Committee to deliberate upon the proposals made, in several quarters, for the establishment of such practicable and practical remedies as may be best adapted to combat the existing evils.

In face of the difficulties prevailing, I ventured to enter into the discussion of the subject through the columns of the *Bombay Journal* and the *Times of India*, referring to the suggestions of the Government of India, of Mr. A. M. Lindsay, and of Mr. Probyn. Whilst acknowledging the desire of all of them to attain, if possible, that much-to-be-wished-for end, a fixity of exchange, I attempted to show that the redundancy of the rupee, to which they attributed much of the deplorable condition of affairs, was not to be remedied by the crude expedient of throwing the coins into the melting-pot, and of selling the bullion thereby obtained to the extent, if need be, of 20,000,000*l.*, replacing such silver coins according to Mr. Lindsay's plan by a reserve to be held in London of gold.

The carrying out of this suggestion would certainly have had the effect of reducing the number of coins current, but would in all probability have had the mischievous consequence of still further reducing the market value of silver, and thus of intensifying the evil. The Government, it is true, proposed to replace the silver thus abstracted by gold coins of equal value, permitting coins of both metals to be legal tender to an unlimited extent, and establishing a ratio under which gold and silver rupees should be interchangeable by a Government establishment. This, however, would not have satisfied the foreigner, who declines to receive payment of his demands in a currency which, as a whole, would not be greatly appreciated by this shifting about of coins, for he would have had no guarantee of receiving payment in gold.

The subsequent course of the money market in the large commercial centres, where accommodation was not to be had under, even if at, 18 to 20 per cent. at the end of 1897, showed that a redundancy of rupees was practically no longer existing.

Both the Government of India and Mr. Lindsay suggest that a reserve of gold should be held to aid the early establishment of a gold standard and a stable exchange. The former would have this in India, the latter in London, neither one nor the other, however, being ardent advocates of a circulation amongst the community in India of a gold currency. These proposals being both before the Committee, I need do no more than allude to the above points, in order that they may be contrasted with my own suggestion, merely adding that by all economical principles it is unwise, and, indeed, impossible, to attempt to establish a binary standard. Experience shows that all such efforts eventually end in the disappearance from circulation of the metal of greatest *pro ratâ* market value, which is absorbed by the holders of the metal of least market value.

I therefore suggested in the last of my letters above referred to, addressed to the *Times of India* on 24th June last, that the currency of India after an early date to be fixed (I named the 1st July 1899), shall be based solely upon gold.

I further proposed that the Indian mints should strike and issue gold coins weighing respectively 123.2744 grains, and 61.6372 grains troy, of $\frac{22}{24}$th fineness, which shall be available as legal tender in payment of all sums, after the rate of 15 rupees for the larger coins, and of seven rupees, eight annas for the smaller ones, If found more convenient for the purpose of circulation, coins of, say, 10 rupees containing 82.18298 grains, and of 20 rupees containing 164.36596 grains, of the same standard, might be issued. These coins would be the equivalents in British money:—

7½	rupees of	10*s.*
10	,,	13*s.* 4*d.*
15	,,	1*l.*
20	,,	1*l.* 6*s.* 8*d.*

I also proposed that British sovereigns and half-sovereigns should be legal tender for payments in India, after the rate of fifteen rupees, and seven rupees eight annas respectively.

The fact that the standard of fineness both of British and of Indian gold coins would be identical implies, of course, that like weights of either coinage would have an equal value, which would be a commercial advantage.

As in the case of the gold coinage of the United Kingdom, I suggest that a similar remedy should be allowed, say—

In the case of the	7½	rupee piece of			0.15000	grains.
,,	,,	10	,,	,,	0.175000	,,
,,	,,	15	,,	,,	0.20000	,,
,,	,,	20	,,	,,	0.25000	,,

within which limits they shall be legal tender in all payments.

With the view of providing bullion to carry out the preceding suggestions, authority should be taken by the Indian Government to raise from time to time, by instalments of 5,000,000*l.*, a total of 20,000,000*l.* in the London market, by short loans or Treasury bills, for the purchase of gold as required for coinage. Seeing that the finished coins will only be issued for value received, this involves merely loss of interest during the brief period the funds received remain under control of the Government.

In India where the currency at present may be described as exclusively silver, and where that metal, even after the introduction of a gold coinage, will still form the preponderating proportion of the coins in use, I estimate that the above fund of 20,000,000*l.* will prove amply sufficient to furnish a supply of gold coins adequate to the requirements of the country. If, however, in consequence of the gathering importance and extension of the trade of the country, this is found to be insufficient, no great hardship or difficulty would be felt in increasing it.

The coinage of gold at the London Mint during the past few years has varied annually between 2,000,000*l.* and 9,000,000*l.* in round figures, and, leaving out the exceptional year 1892, has averaged under 6,000,000*l.* If necessary, the London Mint might be called upon to

assist in the production of the Indian coins without any great inconvenience to that institution.

Objections have been raised to the introduction of a gold currency, that coins in that metal are at variance with the habits and idiosyncrasies of the population and not fitted for them. This, however, is a statement not based on facts. We know that a gold currency *was* in vogue in India prior to 1806, and the Court of Directors of the East India Company, on 25th April of that year, addressed a despatch to the Governments of Bengal and Madras, in the third paragraph of which they pointed to the loss and inconvenience sustained from the circulation of so many denominations of gold and silver coins of different values in different districts. It appears further from their report that in the several provinces, Sicca, Arcot, Bareilly, Benares, Sonant, Lucknow, and Bombay rupees (each of which, it may be remarked, contained a different quantity of fine silver) circulated side by side with gold star pagodas and quarter gold rupees, the latter coin approximating to, but not identical in value with, the former.

The directors recognised the fact that, even though the proportion of interchangeable value of gold and silver coins might be fixed by law on the justest principles, yet inevitable fluctuations in the market value of the metals would lead to the absorption of the more valuable metal, and would create continual difficulties, so that the establishment of such a principle of a bimetallic standard would, of itself, tend to perpetuate the loss and inconvenience.

The Directors also stated, in paragraph 26 of their despatch, "the pay of the troops is frequently issued in pagodas," so that we may, in the present day, safely dismiss the idea that a gold currency would lead to dissatisfaction, either amongst our forces or the inhabitants of India generally. That so many coins, with such complex relative values, were simultaneously in circulation is certainly evidence that a simple system of gold and silver coins (the latter being recognised as mere tokens of the former) would not, at the end of the century, be regarded as objectionable.

Whilst the Directors agreed with the Earl of Liverpool that the money or coin, which is to be the principal measure of property, ought to be of one metal only, their undoubted opinion was that such coin should be of silver, but they were by no means desirous of checking the circulation of gold upon a principle fitted for general use.

Another objection to the use of gold currency is referred to in the *Pioneer* newspaper of 6th January, 1898, describing Mr. A. M. Lindsay's scheme. That gentleman, they say, thinks handy gold coins, of full metallic value, will be much in request in India (amongst other demands mentioned by him) for hoarding, for which purpose they would be preferred to silver coins. Objectionable, in some respects, as hoarding may be, a smaller number of the members of the community would be incommoded by the exercise of this habit with gold rather than with silver coins. One fruitful cause of hoarding throughout India is the necessity, which parents hold to be indispensable, of providing funds sufficient to defray the expenses entailed by the marriage of their daughters, which I have heard estimated, even in the case of people in a very humble sphere of life, as at seldom less than 50*l.* and upwards, which has to be gathered together, rupee by rupee, from the scanty earnings of the parents. Most of these coins will again be set free and in circulation when the happy event comes off. Ornaments will no longer be made of rupees melted down, as hitherto has been so frequently the case, but of silver bullion, probably imported.

The precious metals are at bottom mere commodities, and this principle is not annihilated by the impression of a die upon the face of a coin, which acts as a guarantee of the quality of the material, and in that sense enhances the property inherent in the metal, which at all times and under all circumstances represents the command of so much labour.

To discourage hoarding, as well as to prevent loss from abrasion attendant upon passing coins from hand to hand, I suggest that the Government should be authorised to receive gold coins from the public, issuing in lieu thereof either their notes repayable in coin on demand, or Exchequer bills to bearer or order, at short dates, carrying a small amount of interest payable half-yearly. To intercept the small hoardings, I would suggest the establishment of Post Office Savings Banks similar to those obtaining in this country.

Another objection, that the withdrawal of so much gold from the London market as would be required to carry into effect the establishment of a gold currency in India, is in these times, when the production of the precious metal is so largely increasing by rapid strides, not worthy of consideration.

The difficulty of maintaining a sufficient gold reserve would not be thrown upon the Government, but would be combated automatically. As a rule, the principle which applies to the individual, applies also to the community. This principle of self-interest acts as a stimulus to industry, serving to elevate separate members of the community and trade centres generally, urging them to increased production, and consequently increased exports, thereby enlarging in favour of India the balance of trade, which is sure eventually to be paid by foreign countries in gold. In the case of silver-using countries, such as China, &c., this may involve a longer process, but all such countries eventually will, from the force of circumstances, and in the natural course of things, be compelled to adapt themselves to the recognition of gold as the common measure of value throughout the whole commercial world. The knowledge that the falling tendency of silver is not likely to be arrested permanently cannot fail, in the long run, to remove this objection which, as it is, applies now only to the minimum percentage of Indian trade.

A fixity of the rate of exchange within a small margin, to which a gold standard cannot fail to contribute, will, so soon as a demand arises, attract foreign capital to the money markets of India, whether for short periods or for permanent investments, if a sufficient return in the shape of interest (which always rules higher in India than in Europe) and adequate security be offered, without which contributions, either in the shape of gold or silver, cannot be looked for. This fixity of exchange I anticipate, for the above reasons, will lead to the cessation of the excessive periodical demand for capital and accommodation in India, and tend to equalise rates throughout the year, although the movement of crops will not prevent a seasonable as well as a rational rise in the value of money in the market, and a natural effect upon the rate of exchange, although this last will not be accompanied by wild fluctuations, such as have been witnessed since the the fall in silver.

The introduction into India of a system of coinage based solely upon gold, of necessity reduces the rupee to the position of a mere token. I would, therefore, further suggest that to give effect to this fact it should be decreed by the Legislature that silver rupees should not be available as legal tender for payments in excess of:—

1,000	rupees	after	December	31st,	1900.
800	,,	,,	,,	,,	1901.
600	,,	,,	,,	,,	1902.
400	,,	,,	,,	,,	1903.
200	,,	,,	,,	,,	1904.

By the above plan, which is thrown out as a suggestion, and is necessarily open to modification, the current silver coinage will be let down by easy grades into the position it is intended it shall occupy in the future.

I further suggest that all coinage, whether of gold, silver, bronze, or other metal, shall be made by or under the control of the Indian Mint authorities only.

The closing of the mints in 1893 I consider to have been a wise measure, and cannot but wonder that it was not earlier adopted. The principle of allowing all the world to bring in silver bullion to the mint, purchased in the open market, and that a depreciated one, at a price far below the nominal value of the coin into which they demanded that it should be manufactured, was, I conceive, mischievous in the extreme. No wonder that a redundancy of rupees was complained of, when the Indian mints were made the dumping ground of all the silver that speculators could buy and sell again under conditions so favourable to themselves.

However, as in England, I would allow outsiders to bring gold, but *not* silver or other inferior metals, into the Mint, in quantities not below a minimum of weight and fineness to be fixed, to be converted into current coins, subject to certain charges for seignorage. The coinage of silver or other metals I would confine strictly to the Government, when it became evident that the community required a further issue of subordinate coins. As the bullion would be purchased in the open market by the Government, a considerable profit would be derived therefrom, the benefit of which would accrue eventually to the public.

From the preceding statement of my views on the subject of Indian Currency, it will be seen that I do not

propose to the Committee to recommend a measure which shall be either unjust or prejudicial to the present holder of silver rupees, each of which intrinsically is worth no more than two-thirds of its face value, and I leave in circulation the well-known and (in India) universally received coin with a fixity of value it has really ceased to maintain under existing circumstances. I do not propose to reduce the amount of coin in circulation; on the contrary, by the introduction of gold I actually increase it, but with this safeguard, that the money market is not likely in consequence thereof to be flooded with additional capital, in view of my suggestion to limit the power of the silver rupee as legal tender, thus leaving for the ordinary transactions of life practically the whole of the coin now in circulation.

Exception has been taken in some commercial quarters to the apparent determination of the Government to fix the value of the sovereign at 15 rupees, or 16 pence per rupee, and it has been suggested that the latter coin should be valued at no more than 1*s.* 2*d.*, or 12½ per cent. below the Government proposal. I must confess that I look upon the proposal of the Government as the more reasonable of the two. It is not so many years ago that exchange was much higher, and the rupee then approximated in value to 2*s.*; but, notwithstanding this serious decline in the value of the coin, wages have risen very little, if at all, thoughout the country. This, of course, means that the purchasing value of the rupee, so far as concerns all imported articles consumed by the peasant, has declined, even at 1*s.* 4*d.*, by upwards of 30 per cent., amounting, consequently, to a serious fall in wages. The rupee prices of articles of native production do not appear to have risen during this period, but the adoption of a 1*s.* 2*d.* rupee would vastly add to the cost of all imported articles of husbandry, such as machinery, &c., the tendency of which would be to reduce agricultural wages, or, at any rate, to prevent their rising. On the other hand, the exporting merchant, supposing sterling prices did not fall in consequence of the reduction of the cost of production (a supposition which the known facts might materially modify) would reap all the benefits at the cost of the producer. This naturally would greatly prejudice the interests of the producer, upon whom the burden of the loss would fall. Taking all things into consideration I maintain that the interests of the humbler members of the community, who can scarcely help themselves, should be preferred to those of the more intelligent commercial classes, who are well able to take care of themselves, and, as a rule, do so. Besides this, the suggested reduction of the value of the rupee would seriously affect the position of the Government, and involve the necessity for further taxation, which in most quarters would be regarded as not only deplorable but also as possibly dangerous to sound administration.

From the foregoing it will be seen that I consider it, under the prevailing circumstances, absolutely imperative to do away, as speedily as may be possible, with the existing silver standard in India, and to introduce a gold standard on some such lines as I have indicated.

I have, &c.
R. SLATER.

Robert Chalmers, Esq.,
Secretary to the Indian
Currency Committee.

No. 21.

MEMORANDUM by Mr. WILLIAM WARRAND CARLILE.

The method of dealing with the Indian Currency problem which I beg to submit for the consideration of the Indian Currency Committee, is briefly the following:—That the Committee should make it their first business to arrive at a conclusion as to what may now be regarded as being the probable natural exchange value of the rupee, for the ensuing year, under existing conditions; and that point having been decided, that they should consider the advisableness of recommending that a ratio should be fixed by statute, at or very close to that figure, at which both the sovereign and the rupee should be made unlimited legal tender in India, in all transactions, and that the mints should be opened to the free coinage of gold.

In support of the above recommendation I beg to submit the following:—

(1.) It was the natural and obvious course that, in the first instance, suggested itself to Lord Lansdowne's Government in 1892. Sir David Barbour's proposal then was first to stop the free coinage of silver, next, after an interval had been allowed to elapse sufficient to enable the Government to ascertain what effect the stoppage of the free coinage of silver had had upon the value of the rupee, to open the mints to the free coinage of gold, and to make gold legal tender in India, fixing the ratio between the sovereign and the rupee approximately in accordance with the value to which the latter had settled down. The conception of the true policy to be pursued was, in short, to let the public fix the ratio in the first instance, and then to stereotype this ratio by making it the official one by statute. It will be remembered further that this policy received the very emphatic endorsement of the late Mr. Bertram Currie, in a memorandum appended to the report of the Herschell Committee.* In that memorandum, he expressed his disagreement with the recommendation of his colleagues to the effect that an announcement should be made forthwith that rupees would be given by the Government in return for gold at the rate of 15 to the sovereign, and recommended instead that, in the meantime, the mints should simply be closed without any such announcement, and that after an interval had elapsed sufficient to guide the Government in deciding as to what had become the natural value of the rupee under the new conditions, the ratio should be definitely fixed, and the mints should be opened to the free coinage of gold.

(2.) This fixing of a maximum value for the rupee in 1893, while its minimum value was left unfixed, has been the source of much subsequent trouble and confusion of thought. Among others of its mischievous effects, it has had that of creating an impression that, in some sense, a statutory ratio between gold and the rupee exists already, and of thus obscuring to the public mind the necessity of fixing one before the silver currency can be expected to circulate at par with gold in the country. The present Indian Government, for instance, appear to anticipate that a state of things will come about of itself in which the sovereign will "become a recognised coin of the empire" and in which gold and silver will circulate side by side, the one as standard money (and the other as subsidiary, and they make accordingly no proposal to fix by statute the ratio between the two. Now it is possible to point to a long list of countries in which the gold and silver coins circulate together at par just as if they were different sub-divisions of the same substance, and in which also one can lay his finger on the statute which fixes the ratio at which each shall be legal tender, but I think it is not possible to point to a single instance of a country in which gold and silver thus circulate at par without any statute or ordinance fixing the ratio.

(3.) It will then perhaps be admitted without difficulty that, before the Indian Government's ideal can be realised, gold must be made legal tender in India, and it will further perhaps be admitted that gold cannot be made legal tender, while the rupee is legal tender also, without fixing the ratio between the two. The recommendation therefore at the head of this paper recommends only the doing of that at once which must plainly be done sooner or later. My contention, however, further, is that if the step recommended were taken, no other step need be taken; that the simple fixing of the ratio say at 1*s.* 4*d.*, and the opening of the mints to the free coinage of gold, while keeping them closed to silver, would itself be sufficient to maintain the value of the rupee definitely at that figure.

(4.) As to the mode in which such a legal tender act would operate in bringing about and maintaining the parity between the rupee and gold, it is, perhaps, easier to follow it if we suppose that, in the first instance, an order was issued, making the pound sterling, instead of the rupee, the standard of all computations in connection with Government business in India, all payments in rupees being converted, at the market rate, into payments in pounds sterling, and, henceforward, all taxes being

* Appendix to Minutes, Herschell Committee, p. 148, sec. 6.

collected in terms of pounds sterling, rupees being accepted in lieu of gold at the rate of, say, 15 to the sovereign. The total rupee circulation is estimated at about 120 crores, and the revenue may be put at about 100 crores. The fact therefore of the revenue being collected in rupees, but in terms of pounds sterling, would be equivalent to the redemption annually in gold of five-sixths of the rupee circulation. A practically unlimited market would thus be provided for the rupees at a fixed gold price. The holders of them, knowing that such a market was always open, would soon cease to have any fear of their fluctuating, and would keep them by them in the slack season for use in the busy season, precisely as if they were fractional gold pieces. This fact in itself would obviate any danger of redundancy. It was, as Professor Laughlin remarks, this virtual redeemability in gold, by its receipt in payment of taxes at a fixed ratio to gold, that, in America, maintained the silver and the certificates based on it, which are not directly redeemable in gold, at par with United States notes which are. It seems certain indeed that a value for the rupee could thus, without difficulty, be maintained, even considerably above its present market value. On all grounds, however, both of justice and of expediency, the present market value should be as closely as possible adhered to.

(5.) If, further, the ratio were fixed, it would henceforth be impossible for any one to obtain rupees from the Government at a price below that fixed on. There could be no such thing then as selling Council bills, that is, orders for rupees, at anything under 1*s.* 4*d.* per rupee (supposing 1*s.* 4*d.* to be chosen) as all bills on India would be sterling bills, though, of course, a pound sterling in India might mean either a sovereign or 15 rupees at the option of the acceptor.

(6.) It need hardly be said that if it should be thought important to avoid a change of nomenclature from rupees to pounds sterling, that change could be avoided while carrying out the above recommendation (Section 4) in all essential points. The Indian sovereign might always be described as a 15-rupee piece (Rxv. perhaps) or by some equivalent designation less awkward.

(7.) In many of the discussions on the subject of the Indian Currency it seems to be assumed that the parity of the rupee with gold cannot be ensured without direct convertibility between the two being guaranteed. The experience, however, of a great number of countries which possess standard and subsidiary coinages not directly convertible into each other, yet circulating together perfectly at par, is against that conclusion. An instance which, it seems to me, has not received the attention that it deserves is to be found in the case of England itself in the 18th century. During a great part of that century the worn and light shillings which were not intrinsically worth more than the thirtieth or fortieth part of a guinea circulated steadily along with it at the fixed ratio to it of twenty-one to one. The fact that they did so is one calculated to bring the power of an Act or ordinance fixing the ratio between the standard and subsidiary money in making that ratio effective into a very strong light indeed. The facts were briefly as follows:—At the end of the 17th century silver was the undoubted standard in England in every sense. The guinea went up and down in value like any other commodity, and the foreign exchanges varied in accordance with the condition of the silver coinage. When we turn, however, to the middle of the 18th century—when next information with regard to monetary conditions is available—we find that the very state of things which exists at the present day had already come into existence. Gold we then find to be the standard, and silver merely subsidiary money. The state of the silver coinage had not then, we find, the smallest effect on the foreign exchanges. The exchanges, on the contrary, were ruled exclusively by the state of the gold coin, together with the balance of trade. So long as the guineas were of full weight, the mint price of gold ruled at 3*l.* 17*s.* 10½*d.*, as at present. The fluctuation in the value of gold coins was already a thing of the remote past. How did this all come about? The only thing that happened between the end of the 17th century and the middle of the 18th century which was calculated, in any way, to alter the situation, was the fixing of the value of the guinea in silver, in 1717. The rate fixed on virtually closed the mints to silver, as, thenceforward, to the close of the century, it paid no one to bring silver to the mints to be coined; the mints were thus left open to gold only. At the same time, it made the silver, to all intents, redeemable in gold, by its availability for the payment of taxes at a fixed ratio to gold. The measure was intended to fix the value of gold in silver, but ended instead by fixing the value of the silver coin in gold. The silver was already unlimited legal tender, and was thus available for the payment of taxes, as the rupee is in India now. That alone, of course, did nothing to fix its value. As soon, however, as gold was made unlimited legal tender at a fixed ratio to it, the whole situation seems to have been at once altered. Thenceforward the silver coins seem never to have shown the smallest tendency to vary in value, however light and worn they became. We have, then, here an instance in which the silver, though unlimited legal tender (as it was till 1774) was made to circulate at a fixed parity with gold, by the mere efficacy of the ordinance fixing the ratio, together with the virtual closure of the mints to silver, and without anyone having so much as dreamt of accumulating either a gold reserve to redeem the silver, or a silver reserve to redeem the gold.

(8.) The misgivings which the Indian Government express with regard to the clauses of Mr. Lindsay's scheme, which propose that the Government should guarantee the convertibility of the rupee to all and sundry at a fixed rate, seem to me not to be without just ground. Suppose that, after the announcement had been made that the Government would accept all rupees at 1*s.* 3¾*d.*, and would give gold for them, a rumour got wind—it might be without the smallest foundation—that the scheme was breaking down and was about to be abandoned, that the mints would be re-opened to silver, and that a fall of 30 per cent. in the value of the rupee might any day be anticipated, it is quite conceivable that there might be an ugly rush for gold while it was still to be got at a fixed price. We must take into account the fact that we have a vast, ignorant population to deal with, exceptionally liable to unreasoning panic, that there are great interests hostile to the fixity of the rupee, and that immense fortunes are to be made by finding the weak point in any scheme that could be proposed, if it has one, and by wrecking it. The Dutch Government, of course, take an entirely opposite stand to that suggested by Mr. Lindsay. To the question "Can persons holding silver coin require the Government or any national bank to give them gold for it," the clear answer is "No they cannot," and I think the answer will have to be the same in India. It is quite certain that, in spite of their taking this stand, the Dutch Government, and many other governments similarly situated, have been able to maintain their appreciated silver at par with gold. Surely the first matter for inquiry in the Indian case is whether by the adoption of the same course it is not possible to attain the same end, before thinking of adopting a course so much more hazardous as that of guaranteeing universal direct convertibility would be. A legal tender act fixing the ratio is not, it need hardly be said, for a moment to be confounded with a guarantee of direct convertibility. Such an act, on the contrary, gives in express terms to all tenderers, the Government included, the option of paying in whichever medium they please.

(9.) An inquiry which I have not seen set before the Committee in express terms, and yet which is, I think, one fertile in important results, is the inquiry:—"What, at the present moment, is the standard of India?" It plainly is now not silver. A high authority recently tells us that it is "exchange." That, however, is a doctrine that can assist us little. The standard of value in a country must, at any rate, be a concrete substance, and cannot conceivably be an abstraction. I have endeavoured in my paper on the Indian Mints to show that the standard of India is already gold—arriving, on that point, at the same conclusion as Mr. W. Douglas, author of the "Indian Currency"—and I think, indeed, that the same view is unconsciously and implicitly taken by every one

who speaks of the "depreciation" of silver in India. Depreciation can only be depreciation in comparison with some standard in the background, and that standard can, in this case, be nothing but gold. If, however, the standard of India is already gold, the official recognition of gold as the standard by the opening of the mints to its free coinage, and by fixing by statute a ratio between it and the subsidiary silver, cannot certainly make the outside gold obligations of the country any harder to meet than they are under the present state of things. Now this much is certain, that India, somehow or other, meets her foreign gold obligations, at the present moment, without a gold reserve; and the question arises, would a gold reserve be any more necessary, under the new conditions, that is to say after the mints had been opened to the free coinage of gold, and gold had been made legal tender at a fixed ratio to the rupee, than it is at present. There is of course a theory that a fall in exchange forces a favourable trade balance by increasing exports and diminishing imports; but, setting aside that theory which receives no support from statistics, which is contrary to all sound principle —involving indeed, as it would, the conclusion that any nation in financial difficulties has only to depreciate its currency to find an easy escape from them—there seems to be no reason for asserting that the accumulation of a gold reserve is a necessary preliminary to what is called the adoption of the gold standard in India, that is to say, to the fixing of the ratio and the opening of the mints to the free coinage of gold.

(10.) When a country possesses, as India does at present, a currency that cannot be exported, or at any rate, that, as a matter of fact, never is exported, and when it possesses no gold reserve, there is plainly only one way in which its outside gold obligations can be met, that is by the trade balance in its favour. But suppose circumstances to arise which would tend to make the trade balance unfavourable — say a great diminution of exports owing to a famine—how then can they be met? Plainly the true answer is, that a country so situated can never let the trade balance become unfavourable to it. If circumstances are such that the meeting of her obligations directly would make the trade balance unfavourable, she must, as long as she has credit, borrow, in one shape or another, and thus keep it favourable. In the case of a country which had a gold currency and no gold reserve, it would be obvious enough that the only way in which its Government could meet outside obligations in gold which would not, in ordinary circumstances, be covered by the trade balance in its favour, would be either by increasing the taxation or by borrowing. In the case of India, however, with her appreciated silver currency, it seems generally to be assumed that there is a third method open of meeting outside obligations. She can sell her Council bills, it is said, cheaper than she would sell them otherwise, and can thus raise a larger sum than she could otherwise, to meet these obligations. It is true of course that she can do this, but it is also plain that doing so is only another form of borrowing. If more bills are sold than the public want for immediate requirements, they can only be sold to people who buy them on speculation, and who intend to hold them, in the meantime, till they can dispose of them to advantage, and such sale, in such circumstances, is plainly equivalent to drawing on the future—to obtaining money in advance. It is, on the face of it, indeed, absurd to imagine that the fact of having a token currency gives a country an advantage, as regards meeting its obligations, over countries with a gold currency. If a gold currency country would, in given circumstances, have to meet its obligations abroad, either by borrowing or by increasing its taxation, it is quite certain that a token-currency country, in the same circumstances, will not be able to meet them in any other manner.

(11.) In 1893, the maximum value of the rupee having been fixed by an edict at 1*s.* 4*d.*, an attempt was made to fix the minimum, for a time, at 1*s.* 3½*d.*, by refusing to sell Council bills under that price. The amount of Council bills required to meet current obligations could not be sold, and direct borrowing had to be resorted to. This borrowing was the subject of much hostile criticism at the time, and it was accordingly decided to end it, and instead to sell Council bills below 1*s.* 3½*d.*, indeed at whatever price could be got for them. The result has been a loss of revenue amounting in all to about 8,000,000*l.* to India, since 1893, as compared with the revenue that would have been obtained if the price of Council bills had been kept up. The question is, how much would it have cost India, in the shape of interest on borrowed money, to have maintained the price of Council bills? Probably only some small fraction of 8,000,000*l.* The mistake made by those who urged the sale of Council bills at any price lay in their failing to recognise that such a sale was merely borrowing in another form, and that a ruinously expensive one.

(12.) The fixing of both maximum and minimum for the rupee in 1893, amounted, of course, to an attempt to completely fix the ratio. Why then did it not succeed? The mistake lay in this, that while the maximum was fixed by an edict, the minimum was only fixed as a measure of policy, and the decision fixing it was known, from the first, to be liable to be changed at any moment, and was, as a matter of fact, changed within about six months from the date of its adoption. In such circumstances, no one, from the first, could have any confidence in the maintenance of the value of the rupee; no one, therefore, could safely keep rupees by him for future use; and, thus, everyone being driven to force them on the market, they could not fail to become redundant. The case would be altogether different, if both the maximum and the minimum had been fixed at once by a step that would be practically irretraceable, that is, by the passing of a statute opening the mints to the free coinage of gold and fixing a ratio at which both the sovereign and the rupee should be legal tender in all transactions.

(13.) While it is the case that India, after the opening of the mints to gold and the fixing of a ratio between gold and the rupee, would, even without a gold reserve, be in quite as good a position to meet her outside gold obligations as she is at present, it by no means follows that it would not be desirable to place her in a better position than her present one. The fixing of the ratio, however, instead of being looked upon as something that should only follow on the accumulation of a gold reserve, should be looked on as the first step towards making the accumulation and use of a gold reserve possible. A gold reserve, such as that suggested in the memorandum from the Indian Government, which is not in any circumstances to be parted with, is plainly not a gold reserve, in the ordinary sense, at all. A gold reserve is, indeed, I think, something that can only be made available after the gold standard has been brought into full working order.

(14.) If the Dutch system were imitated by making gold legal tender at a fixed ratio to the rupee, it might eventually, if not immediately, be further imitated by following the practice of the Bank of the Netherlands in being prepared always to give gold to meet a *bonâ fide* demand for it for export, the *bona fides* of this demand being evidenced by the fact of the exchange being against the country. The operation of the scheme would then be very similar to that of Mr. Lindsay's scheme, without however, incurring the risk of an internal drain, which his altogether fails to obviate. With regard, to that scheme it is worthy of note that while it proposes in form to guarantee universal convertibility for the rupee, it absolutely relies for its success on the anticipation that there will be no internal demand for its conversion. Mr. Lindsay, himself, describes his scheme as one that will secure "full and free convertibility for the rupee for foreign payment purposes," instead of (like the Government of India's scheme) "partial convertibility for foreign payments combined with "partial convertibility for local payments and for "hoarders." He expects thus, it will be seen, to level up the rupee by meeting the demand for gold for export only. If doubt should remain in the mind of any members of the Committee as to whether the simple fixing of the ratio would be effective in maintaining the value of the rupee, it might still be worth their while to consider whether, with this proviso added, that gold should always be furnished to meet an export demand, the plan would work satisfactorily. As the real exchange is ordinarily in India's favour, the amount

of reserve required to ensure the ability always to furnish gold in such circumstances could not be large.

(15.) It seems to me, in the highest degree, improbable that the fixing of the ratio at 1*s.* 4*d.* now would lead to an accumulation of rupees in the treasuries as, under very different conditions, in 1893. Still it would, no doubt, serve the important purpose of promoting, from the start, public confidence in the ultimate success of the scheme, if the Government were to arm themselves with power to melt and sell rupees in such an event. The Dutch, in like circumstances, armed themselves with similar powers, but never had occasion to use them.

(16.) If a gold, or partial gold, currency is the desired eventual goal, the plan proposed is clearly the only road to it.

No. 22.

MEMORANDUM by Mr. E. KLEINMANN, Administrator of the *Crédit Lyonnais*.

Rapid and Decisive Success of the Monetary Reform notwithstanding numerous obstacles and strenuous opposition on the part of Speculators in Indian Exchange and Silver.

The opponents of the monetary reform repeatedly maintained that the scheme had completely broken down. Those who have only a superficial knowledge of monetary matters imagine that a reform of this kind could be carried out within a very short time, for instance, a few months or a year. A competent and impartial study of the scheme will, however, easily show that the object in view could only be attained after having been in operation for some considerable time.

One must not lose sight of the fact that the reform had to be introduced into an empire with a population of 300 millions of inhabitants, mostly ignorant people incapable of understanding that the rupee could ever attain a value considerably above that of the silver it contained, and who at the same time were unable to protect themselves against the manœuvres of dealers in silver.

It was on the 26th of June 1893, that the Government decreed the closing of the mints, and in June 1898 that the exchange reached 16 pence. It has taken five years to arrive at this.

This, I venture to say, is a very remarkable result considering the time which was absolutely indispensable to put the rupee to 60 per cent. above its intrinsic value by the natural and automatic contraction of the circulation.

Besides the famine and the plague, which have both to a considerable extent rendered the operation more difficult, one must not forget the manœuvres of speculators for the fall in Indian exchange during four consecutive years. They have ultimately been compelled to desist after having sustained severe losses. Lastly, the considerable import of silver has to a great extent delayed the gradual rise in the exchange. It has greatly contributed to make capital scarce and to maintain high rates of interest during the busy seasons. It has permitted dealers in silver to sell to the natives on unfavourable terms for the latter, silver bars against coined rupees of the increasing value of which the natives were still in ignorance. These facts would certainly have justified and would still justify an important increase of the import duty on silver, which increase would likewise help to check the illicit coinage of rupees in several frontier States.

In any case, the limit of 16 pence is now reached, the exchange has been maintained at that rate during the dead season. The chief object of the reform is therefore attained, and everything leads to the expectation that the money market will not in future be subjected to great fluctuations in exchange nor to excessive rates of interest.

The question now to be considered is that of the introduction of the gold standard.

Previous Existence of a Gold Standard in India.

In the first place it would be well to note that it is not the question of the adoption of a new system. That point has been clearly elucidated by a well known economist, Mr. H. Dunning Macleod, in a remarkable letter. A gold standard existed in India from remote times until the 1st January 1853, when the public treasuries suddenly refused to receive gold coin. It has been estimated that at that time gold coin to the value of 120,000,000*l.* were in circulation. How then can it be asserted that India is too poor a country to have a circulation of gold coin? On the contrary India is admirably adapted for a return to the gold standard.

Such being the case one has to consider the best method of obtaining its re-establishment.

Ratio to be fixed between the Sovereign and the Rupee.

All partizans of a gold standard for India are agreed, I think, as to the advisability of adopting the sovereign as the legal basis of the monetary system of the Empire. The only point wherein opinions differ is the ratio at which rupees should circulate in the country as fractional currency of the sovereign.

Some propose 1*s.* 3*d.*, *i.e.*, £1 = 16 rupees. Others, including the Indian Government, give preference to the ratio of 1*s.* 4*d.*, *i.e.*, £1 = 15 rupees. This ratio has the advantage of having been chosen as a trial basis by the Herschell Committee, and that with complete success since the exchange has attained and exceeded the rate of 16 pence, and now, during the dead season, maintains that rate, a result which the warmest supporters of the monetary reform could never have ventured to anticipate.

Other partizans of the gold standard, and I confess I am amongst the number, think that it would be more favourable for the country, for the inhabitants, for the Government and for the officials, to fix a rate more in keeping with the primitive value of the rupee (2*s.*). The rate of 1*s.* 6*d.*, *i.e.*, £1 = 13⅓ rupees, or that of 1*s.* 8*d.*, £1 = 12 rupees would not be excessive. The late Mr. Bertram Currie was of the same opinion.

In my judgment it is just as easy to-day to attain 1*s.* 6*d.*, or even 1*s.* 8*d.*, as it was to reach 1*s.* 4*d.*, perhaps easier, notwithstanding the numerous obstacles and the strong opposition which the reform encountered.

One question why the rupee should be fixed at so low a rate as compared with the sovereign when in England the sovereign is sub-divided into 20 shillings, worth in reality 10*s.* In France the 20 francs piece is likewise sub-divided into 20 francs in silver money, worth only 10 francs; finally in the United States 20 dollars in silver of an intrinsic value of 10 dollars circulate as the equivalent of 20 dollars in gold, &c., &c.

A striking example of the level attained automatically by money of which the coinage has been suspended is afforded by the Turkish medjidie. This coin which has no legal fixed ratio to gold and an intrinsic value of but 20·6 pence at the current price of silver, circulates to-day by virtue of the law of supply and demand at about 39·6 pence, that is at an appreciation of 92 per cent. (almost the value of gold).

There would, therefore, be no undue appreciation in having rupees in circulation at 18 pence, that is at 80 per cent. above their intrinsic value. It would be to the advantage of the Government and of the people, whose revenues and wages would be proportionately raised without any change being made in the bases of taxes and wages.

Let me add that the Herschell Committee, when taking the rate of 1*s.* 4*d.* as basis of the currency reform, clearly explained that the limits could be raised if necessary. This is conveyed in the 151st paragraph of the report of the committee, which is as follows:—

> "It would not, of course, be essential to the plan that the ratio should never be fixed above 1*s.* 4*d.*; circumstances might arise rendering it proper and even necessary to raise the ratio, and the Indian Government might be empowered to alter it with the sanction of the Secretary of State. Such a scheme would, indeed, in the first instance be tentative and would not impede further action if circumstances should render it desirable."

On this point I beg leave to quote the conclusions set forth in my pamphlet of the 18th March 1897 "Le Role "futur de l'or et de l'argent":—

> "The want of a single monetary basis for international relations makes itself more and more felt. Gold is the metal which best fulfils the required conditions.
>
> "It is the gold standard which is being gradually adopted by all nations.
>
> "Silver will everywhere play in a greater measure the part of fractional currency.
>
> "No matter what ratio may be chosen for the coinage of silver pieces, these coins will obtain in

the interior circulation of every country a par value with gold currency on condition of their not being in excess of the requirements of the circulation."

The most satisfactory Plan for establishing a Gold Standard.

Notwithstanding the great advantages resulting from a higher rate of exchange, it cannot be disputed that with a limit of 1*s.* 4*d.* in force there would be an end to the period of transition, which is, to some extent an impediment to commercial transactions. Whatever ratio between the sovereign and the rupee is resolved on, the principal object to be attained is an effective introduction of the gold standard.

Is a gold circulation indispensable? Should it be left to individual initiative and be brought about by the automatic movements of the commercial exchanges? Or, on the other hand, should it be effected forthwith by a Government measure introducing at first a more or less considerable quantity of gold?

I have no hesitation in asserting that a circulation of gold itself is indispensable. As to the means of attaining that end I am inclined to think that it would be preferable to bring about an influx of gold by the automatic working of trade. This would certainly require more time, but then the measure would not be jeopardized by an erroneous estimate of the initial quantity of gold to be introduced by Government.

I advocate, therefore, simply a continuation of the monetary reform, believing that the material obstacles which were present at the outset are now overcome, and that ere long sovereigns will flow into the country. Actual interference on the part of the Government should be restricted to a declaration that henceforth "the sovereign is legal tender in India." If the exchange of 1*s.* 4*d.* is ultimately adopted, the sovereign being declared legal tender at the ratio of 1 sovereign =15 rupees, transactions would be entered into on that basis.

Reply to the Arguments of the Indian Tea Planters who are in Favour of Re-opening the Mints.

The gold price of a commodity does not depend on the currency of the country where it is produced, however depreciated such currency may be. It is based on the supply and demand of such commodity. When production increases and no fresh outlets are found, prices fall, and, inversely, when the consumption develops more rapidly than production, prices rise.

The following statistics of Indian tea since 1886 clearly demonstrate that the depreciation in the price of that commodity does not arise from the fluctuations of the value of the rupee, but from the continuous increase in the production without sufficient outlets being found to absorb the excess:—

Production of Tea in India.

Year.	Production.	Land under Cultivation.	Average Price of Indian Tea per Pound.	Average Rate of Exchange in India.
	Lbs.	Acres.	*d.*	*d.*
1886	82,425,812	298,219	12	17·4
1887	92,252,082	312,803	11⅝	16·9
1888	99,792,544	324,327	10¾	16·3
1889	107,042,875	333,701	10¼	16·5
1890	112,036,000	344,807	10½	18·
1891	123,867,000	362,437	10¼	16·7
1892	121,994,000	374,869	10	15·
1893	132,247,000	395,839	9½	14·5
1894	134,713,000	422,551	9¼	13·1
1895	135,500,000	436,000	9	13·6
1896	146,500,000	450,000	8¾	14·4
1897	148,250,000	470,000	8¼	16·8
1898*	158,000,000	—	*7¾	16·
1899*	163,000,000	—	*7½	—
1900*	170,000,000	—	*7¼	—
1901*	178,000,000	—	*7	—

* Estimated on land under cultivation which will yield at the end of the fourth year.

Villa Romaine, Hyères.
30th November 1898.

E. KLEINMANN.

D.—*Miscellaneous Papers.*

No. 23.

LETTER from Mr. H. F. ASTON, Proposing INCREASE OF WEIGHT OF RUPEE.

SIR, 14 November 1898.

I HAVE the honour to forward, with due deference, for favour of submission to the Indian Currency Commission, a copy of my proposal,* advocated by me since 1875, for remedying the Indian currency difficulty by increasing the weight of the silver rupee.

2. In a despatch dated October 1876, the Government of India said: "We consider it certain that if we "should find it necessary to make any change in our "standard unit of value, it would be incumbent upon "us sooner or later and more or less quickly to call in "our old currency, and directly or indirectly at the "public expense, to substitute a new currency, repre-"senting the new standard of real value."

3. I would point out that the liability the Government would incur by issuing a new heavier rupee and recalling the present coins is measurable. Taking the effective currency at 120 crores, or 1,200 million rupees, and silver at 27½*d.* per ounce, to add a fourth to the weight of each rupee in the effective currency would cost 13,750,000*l.* for the silver *plus* the cost of minting, and would make the intrinsic value of the rupee 25 per cent. higher, that is 1*s.* 1¾*d.* instead of 11*d.* with silver at 27½*d.* per ounce.

4. Gold would flow automatically into the Indian currency (if the sovereign remains legal tender), when 15 rupees become worth more than a sovereign, and such artificial methods as closing the mint and an import tax on silver &c., would still be available for regulating the gold price of the rupee when silver fluctuates below a certain point. The great danger of excessive manufacture of counterfeit coin would disappear. There would be far less inducement to speculate in currency, and the risk of a return to India of large quantities of rupees from other countries would be avoided.

5. Failing the introduction of such a reform, I would point out with deference that it might well be taken into consideration whether a rupee should not be issued when needed for 1*s.* 4*d.* of silver instead of for 1*s.* 4*d.* of gold. There would then be room for an automatic increase of the silver currency, according to trade requirements, without reducing the cost of the rupee. The mere fact that during the recent stringency in the loanable capital market, 24 per cent. interest was demanded in India for advances on silver when the rate on gold was 16 per cent., proves how important it is that the silver assets of India should be made more liquid. Such a difference in the rate of interest on loans on gold and silver could not exist if a rupee could be obtained at the mint for 1*s.* 4*d.* of silver. It is, I think, open to grave doubt whether debtors who have incurred an obligation to pay in silver should be burdened with the duty to procure gold before rupees can be got from the mint. Trade need not be burdened with this duty. If the Government wishes to accumulate gold, then the Government can choose its time when to convert its silver into gold, but trade obligations must be punctually discharged.

I have, &c.,
H. F. ASTON.

To the Secretary,
Indian Currency Commission.
India Office, London, S.W.

No. 24.

LETTER from the LONDON INDIAN SOCIETY.

Washington House, 72, Anerley Park, S.E.,
SIR, June 22, 1898.

IN accordance with a Resolution passed at a Conference of Indians resident in the United Kingdom, convened by the London Indian Society on 20th instant at St. Martin's Town Hall, I have the honour to submit for your and the Committee's kind consideration, the following Resolution unanimously passed at that Conference:—

RESOLUTION.

1. "That fall or rise in exchange does not in itself matter in true International trade, which

* Not printed.

adjusts itself automatically to the requirements of exchange; that closing the mints or introducing the gold standard does not and cannot save a single farthing to the Indian tax-payers in their remittances for 'home charges'; that closing the mints and thereby, raising the true rupee of about 11*d.* of gold, to a false rupee of 16*d.* of gold is a covert act of exacting 45 per cent. more taxation from the Indian tax-payers, and at the same time of increasing the salaries of officials, and other payments in India by Government to the same extent; that the introduction of gold standard will simply add more to the existing grievous burdens of the tax-payers, to the extent of the cost of the alteration; that the real cause of the terrible evils of poverty, famine, plague, false currency, &c., is what Lord Salisbury truly calls the 'bleeding' of India (or as he says 'India must be bled'), and the 'bleeding' is further increased by the fall in exchange or rise in gold; that until this most deplorable 'bleeding' of India is stopped there is little chance, if any, of saving India and the British Empire from serious disasters or destruction; and lastly, that the constitution of the present Currency Committee is utterly unsatisfactory, as the suffering Indian tax-payer is not at all represented."

Proposed by DADABHAI NAOROJI, Esq.
Seconded by Dr. SARAT MULLICK.

I have, &c.
DADABHAI NAOROJI, Chairman.

Rt. Hon. Sir H. H. Fowler, G.C.S.I.,
President of the Currency Committee,
India Office.

No. 25.

LETTERS by Mr. DADABHAI NAOROJI, submitted to the COMMITTEE through the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS.

Washington House,
72, Anerley Park, S.E.,
July 30, 1898.

MY DEAR SIR WILLIAM WEDDERBURN,

IN accordance with the reply of the 5th instant from the Currency Committee to your letter saying "they will, however, be glad to accord their best "consideration to any written communication which "you may desire to lay before them," I send you this statement, which you would be good enough to forward to them.

2. I may add that I am willing to submit to any cross-examination that may be considered necessary to test the correctness of my views, or to ask me other questions. You know that I have been in business in the City for 25 years as a merchant, and also as a commission agent, I have dealt with almost every kind of export and import between England and India. I have seen some commercial and monetary crises, including that of "the Black Friday," when, I think, Messrs. Overend, Gurney and Co. closed their doors.

3. Fall or rise in exchange does not in itself (other circumstances remaining the same) matter in true international trade, which adjusts itself automatically to the requirements of exchange. To establish this proposition by a detailed explanation of the mode of operations of Indian trade, I attach as Appendix A. some letters which I wrote to the "Times" and the "Daily News" in 1886.*

4. Closing the mints or introducing a gold standard does not and cannot save a single farthing to the Indian taxpayers in their remittance for "Home Charges" to this country. The reason is simple. Suppose we take roundly 20,000,000*l.* sterling to be the amount of the "Home Charges." The Indian taxpayers have to send as much produce to this country as is necessary to buy 20,000,000*l.*, not an ounce less, no matter whatever may be the rupee, or whatever the standard (gold or silver) in India. England must receive 20,000,000*l.* in gold, or produce worth 20,000,000*l.* The only way in which relief can come to the Indian taxpayers in these remittances, is the rise in the prices of the Indian merchandise in this country, and not by any juggling with the currency laws of India.

5. The Government of India, in their despatch to the Secretary of State (Simla, November 9, 1878), themselves admit this in so many words:—

"66. Now, it is plain that so long as the amount of the so-called tribute is not changed, the quantity of merchandise necessary to pay it will not change either, excepting by reason of a change of its value in the foreign country to which it goes." (C. 4868, 1886, p. 25).

6. Closing of the mints, and thereby raising the true rupee, worth, at present, about 11*d.* in gold, to a false rupee to be worth 16*d.* in gold, is a covert exaction of about 45 per cent. more taxation all round from the Indian taxpayers, and at the same time of increasing the salaries of officials and other payments in India by Government to the same extent, and giving generally the advantage to creditors over debtors, the former being generally well-to-do, and the latter the poorer classes, especially in the case of the money-lenders and the ryots.

7. The real and full effect of the closing of the mints must be examined by *itself*, irrespective of the effect of other factors. First of all, the closing of the mints was illegal, dishonourable, and a despotic act. It is a violation of all taxation Acts, by which there was always a distinct contract between the Government and the taxpayers based upon the fundamental principle of sound currency, *i.e.*, of a certain definite rupee. And what is that fundamental principle upon which the currency, both of this country and of India, is based? The former is upon what is called the gold standard, and the latter the silver standard. Take this country first.

8. Here the whole currency is based upon a sovereign—a fixed unit of a certain quantity of gold, whatever its relative exchangeable value may be with all other commodities. A sovereign is nothing more or less than, or anything else but, 123.274 grains of gold of a certain fineness, with a stamp upon it, certifying to the world that it is what it professes to be, and that no restriction whatsoever was to be placed either on the market of gold or on the coining of gold. Any person may present 123.274 grains of gold of standard fineness, with the mintage (which, I think, is three halfpence on an ounce),* and ask for a sovereign, and will get it. It is not buying or selling gold; Government simply having fixed a unit of currency measure, stamps the unit that it is the proper unit. I should be surprised if Government here should even think of interfering with this unrestricted sale and coinage of gold, as the foundation of the sound currency of this country. The sovereign is the standard by which every other commodity, including silver, is measured in its exchangeable value, just as a foot is a standard measure of length, a gallon of liquid. The taxpayer's contract with the Government is that he is to pay in such unrestricted sovereigns, and every taxation law lays down the payment in such sovereigns.

9. Similarly about India—substitute 180 grains of standard silver, with 2 per cent. for mintage for a rupee, in place of 123.274 grains of gold, with three halfpence for every ounce of gold coined, for a sovereign, and all the above remarks apply word for word to the case of India, except that I should not be surprised at the Indian authorities playing any pranks, regardless of consequences to the Indian people, as long as they are considered favourable to the "interests," and are to be made at the cost of the Indians.

10. This is the true rupee—180 grains of standard silver at its market value, with nearly 4 grains more for mintage, is convertible into a rupee without any restriction either on the silver market or on the free coining of silver. It is in this true rupee that the taxpayer is legally bound to pay his taxes. Any interference with the fundamental principle and law of the rupee is illegal, immoral, or dishonourable.

11. Now comes the false rupee. The true rupee, in its relation to gold at the present market value of silver of 184 grains, is worth, say, about 11*d.* of gold. Government intervenes, abuses its power or duty to coin silver unrestrictedly, makes the rupee scarce and false, and forces it up to the value of 16*d.* of gold, or about 269 grains of silver (including mintage), which the rupee does not contain. And the taxpayer is compelled, by what Mr. Gladstone called "the

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* Not reprinted.

* I understand that there is no charge now. (Coinage Act of 1870, Section 8).

argument and law of force," to pay his tax in this false rupee, under the false pretence of using the word "rupee" when this "rupee" is not one rupee, but nearly one-and-a-half rupee.

12. Let us now take the factor of closing the mints by *itself*. Suppose I go into the market with my produce to buy 184 grains of standard silver for which I am asked one maund of rice. I go to the mint and ask to coin this into a rupee which I have to pay to the Sircar for my tax. If I get the rupee, then it is all right. But no, the mint refuses to coin. It virtually tells me, "Bring 269 grains of silver (*i.e.*, worth 16*d.* of gold) and you will get a rupee." I go into the market to get the rupee. The man who has the rupee tells me, "If you give me 269 grains of silver, or as "much produce as would buy 269 grains of silver, I "would give you the rupee." What alternative remains for me but to give as much of my rice, about 1½ maunds, to get this false "rupee," instead of only one maund to get the true rupee which I can get in the *same market* and at the *same time?* This is altogether independent of whatever the *actual* price of commodities may be.

13. If the actual price of rice does not show this fall, owing to the disguise of the false "rupee," it is not that the closing of the mints has not produced this decline, but that other fortunate factors have influenced the price, whose benefit is robbed away from me by the Government by the covert device of the closing of the mints. Otherwise I would have received so much higher price for my produce than the actual price. The loss, therefore, to me is all the same, as I was forced to pay in my produce for 269 grains of silver to get the false "rupee" instead of at the *same moment* paying for 184 grains of silver to get the true rupee. These two different prices in merchandise for the false and the true rupee are demanded, as I have said above, at the *same time*, and in the same market, *i.e.*, the price of the false rupee, 45 per cent. higher than that of the true rupee, entirely irrespective of any general market rise or fall of price at any same time. If the actual price of the rice be 1½ maunds for the false rupee, the price at the *same time* will be one maund for the true rupee, or for 184 grains of silver.

14. To test this in another way. Let us take some commodity in the country itself upon which the factor of the closing of the mints produces its full effect in the actual market, and which is not materially affected by other commercial factors, which operate generally upon the general merchandise. Such a commodity in India is gold. It is affected, not in merely foreign exchange or international relations, but in *India itself* as a commodity, like every other commodity. Say I have a sovereign, and I want to sell it for rupees in India itself—not for exchange to foreign parts. If the "rupee" were the honest, true rupee of the market value of 184 grains of silver, I should get 22 such rupees for my sovereign, but at the false value of the "rupee," *i.e.*, the market value of 269 grains of silver, I actually get only 15 "rupees." This is the actual price of gold in India, a decline in the proportion of the false inflation of the false "rupee." This is the case with every commodity, as can be tested by offering produce for the true rupee of 184 grains of silver, and for the false rupee or 269 grains of silver at the *same time* and in the *same market.*

15. In addition to the higher taxation thus inflicted on the Indian taxpayers, by an irony of fate, the very "interests" (bankers, merchants, planters, foreign capitalists of all kinds, &c.) for whose behalf, besides that of Government itself, all this dislocation of currency was made, are now loudest in their cry for all the mischief caused also to them, and yet the authorities in both countries remain blind and infatuated enough not to learn even by experience, and persist in a mischievous course.

16. In the Treasury letter of 24th November 1879 (c. 4868, 1886, page 31) to the India Office, my Lords say:—

"1. The proposal appears to be open to those objections to a token currency which have long been recognized by all civilized nations, viz.:—That instead of being automatic, it must be 'managed' by the Government, and that any such management not only fails to keep a token currency at par, but exposes the Government which undertakes it to very serious difficulties and temptations.

17. "2. It appears to my Lords, that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to *increase the amount they have to receive from their taxpayers.* My Lords fail to see any real difference in the character of the two transactions.

18. " . . . . If, on the other hand, it is the case that the value of the rupee has fallen in India, and that it will be raised in India by the operation of the proposed plan, that plan is open to the objection that *it alters every contract and every fixed payment* in India.

19. "This proposal is, in fact, contrary to the essential and well-established principle of the currency law of this country, which regards the current standard coin as a piece of a given metal of a certain weight and fineness, and which condemns as futile and mischievous every attempt to go behind this simple definition.

20. "It is perfectly true as stated in the despatch (paragraph 41), that the "very essence of all laws re-"lating to the currency has been to give fixity to the "standard of value as far as it is possible," but it is no less true that, according to the principles which govern our currency system, the best and surest way, and, indeed, the only tried and known way, of giving this fixity is to adhere to the above definition of current standard coin. A pound is a given quantity of gold, a rupee is a given quantity of silver; and any attempt to give those terms a different meaning is condemned by experience and authority.

21. "3. If the present state of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve:—

"(1.) The Indian Government from the inconvenience of a nominal re-adjustment of taxation in order to meet the loss by exchange on the home remittances.

"(2.) Civil servants and other Englishmen who are serving or working in India, and who desire to remit money to England.

"(3.) Englishmen who have money placed or invested in India which they wish to remit to England. *But this relief will be given at the expense of the Indian taxpayer*, and with the effect of increasing every debt or fixed payment in India, including debts due by *ryots to money-lenders;* while its effect will be materially qualified, so far as the Government are concerned, by *the enhancement of the public obligations in India, which have been contracted on a silver basis.* . . . .

22. "If, then, a case has been made out, which my Lords do not admit, for an alteration of the currency law of India, the particular alteration which the Government of India propose, could not, in the opinion of the Treasury, be entertained until the doubts and objections which have suggested themselves to my Lords are answered and removed. These objections are founded on principles which have been long and ably discussed, and which are now generally admitted by Statesmen, and by writers of accepted authority, to lie at the root of the currency system.

23. "It is no light matter to accept innovations which must sap and undermine that system, and my Lords have, therefore, felt it their duty plainly—though they hope not inconsistently with the respect due to the Government of India—to express their conviction that the plan which had been referred to them for their observations is one which *ought not to be sanctioned* by Her Majesty's Government or by the Secretary of State." [Italics are mine.]

24. Can condemnation be more complete and convincing?

25. The introduction of a gold standard, while it will not save a single farthing, or a single ounce of produce to the Indian taxpayer in his payment of "Home Charges," as already explained, will simply add more to his already existing grievous burdens to the extent of the heavy cost of the alteration, and injure him, Heaven knows, in what other ways, as the events of the past five years have shown.

26. The whole basis of the action of the Government is, and was, the assumption that, as fall in exchange will necessitate increased burden of taxation, the closing of the mints and introduction of a gold standard will save the Indian taxpayer from any such additional burden of taxation which would otherwise arise enor-

mously in the remittance of "Home Charges," and that it is imperatively necessary to establish a stable ratio between gold and silver. That the anxiety of the Government about increased burdens of taxation and its political dangers, and that to save the people from the former and the Government from the latter were the professed motives of all the present currency laws, would be clear from Government's own despatches.

27. In order not to encumber the statement here with the extracts from those despatches, I give them as Appendix B.

28. Both these objects, viz., saving people from additional taxation, and thereby Government from political danger, by the present proposals and past currency legislation, are pure delusions. The Government might as well have tried to stop the action of gravitation as to try against a natural law, that while gold and silver should fluctuate in value in relation to and like all other commodities, yet between themselves they could be made to keep up a fixed ratio, or to try to make a rupee, which may be only worth 11*d.* or even 6*d.* of gold, become worth 16*d.* of gold, unless Government have found the philosopher's stone, or have attained the divine power of creating something out of nothing.

29. It is not that the Government of India did not know this, or were not told this from the highest authority and others, and in distinct and emphatic terms. Of this I have already given (see *supra* 16 to 23 paras.) extracts from the despatch of the Treasury of November 24, 1879.

30. Notwithstanding the clear and emphatic views of the Treasury, expressing "their conviction that the "plan which had been referred to them for their obser- "vations is one which *ought not to be sanctioned by Her "Majesty's Government or by the Secretary of State,*" the Government of India and the India Office again opened the subject in another form.

31. Lord Randolph Churchill wrote to the Treasury on January 26, 1886, and forwarded on March 17, 1886, a letter from the Government of India, dated February 2, 1886 (c. 4868, 1886, pp. 3–5). To avoid repetition I would not take extracts from these letters, as the reply of the Treasury embodies their views.

32. This reply of the Treasury is dated May 31, 1886 (signed Henry H. Fowler):—"6. As a result of this re- "view of the inconveniences caused by the depression "in the value of silver, the Government of India express "their opinion . . . . Yet there remains one thing "which is not beyond the possibility of human control, "and that is 'the establishment of a fixed ratio between "'gold and silver.' The proposition thus stated as an "undoubted axiom is, however, one of the most dis- "putable and disputed points in economic science. My "Lords may, in passing, compare with this statement "the declaration recorded by Mr. Goschen, Mr. Gibbs, "and Sir Thomas Seccombe, as the representatives "of Her Majesty's Government at the International "Monetary Conference of 1878, that 'the establish- "'ment of a fixed ratio between gold and silver was "'utterly impracticable.'"

33. "The Indian Government further express their belief (paragraph 7) that it is possible to 'secure a stable ratio between gold and silver,' and that 'a serious responsibility will rest both on the Government of India and on Her Majesty's Government if they neglect any legitimate means to bring about this result.' It would, however, have been more satisfactory if the Indian Government had undertaken to explain the grounds of their confidence that a stable ratio between gold and silver can be established, and the methods by which this is to be accomplished." . . .

34. "8. In December, 1878, Lord Cranbrook, then Secretary of State for India, forwarded to the then Chancellor of the Exchequer (Sir Stafford Northcote), without any expression of opinion, two despatches from the Government of India, containing certain proposed remedies for the evils arising out of the depression in the value of silver which were then in full force. In the only one of those despatches to which reference need here be made, after *unfavourable* reference to previous suggestions—(1) that a gold standard and gold currency should be introduced into India; and (2) that the weight of silver in the rupee should be increased, it was proposed to limit the free coinage of silver at the Indian mints. The intention of this change was to introduce into India a gold standard, while retaining its native silver currency, the ratio between the currency unit (the rupee) and the standard (the sovereign) being fixed arbitrarily by the Government. The means for attaining this end are worked out in the despatch with great elaboration of detail." (Italics are mine.)

35. "9. This despatch and its proposals were submitted by Lord Cranbrook, on behalf of the Indian Government, and Sir Stafford Northcote, as Chancellor of the Exchequer, to a Committee consisting of Sir Louis Mallet, Mr. Edward Stanhope, M.P., Sir Thomas Seccombe, Mr. (now Sir Thomas) Farrer, Mr. (now Sir Reginald) Welby, Mr. Giffen, and Mr. Arthur Balfour, M.P. These gentlemen reported, on the 30th April, 1879—'That having examined the proposals contained in the despatch, they were unanimously of opinion that they could not recommend them for the sanction of Her Majesty's Government.'

36. "10. Subsequently, on the 24th November, 1879, the Treasury replied in detail to the proposals of the Indian Government. In the first part of that letter, which summarises the case as stated in the despatch, I am to call the particular attention of the Secretary of State to the following passages, which seem to apply with equal force to the present situation:—

37. "'My Lords need not point out that a change of the Currency Laws is one of the most difficult tasks which a Government can undertake, and that it is most unadvisable to legislate hastily and under the influence of the pressure of the moment, or of an apprehension of uncertain consequences, upon a subject so complicated in itself and so important to every individual of the community, in its bearing upon the transactions and obligations of daily life.

38. "'It is not proved that increase or re-adjustment of taxation must necessarily be the consequence of matters remaining as they are, for nothing is said about reduction of expenditure, and equilibrium between income and expenditure may be regained by economy of expenditure as well as by increase of taxation. Further, the cost of increase of salaries may be met or at least reduced by a careful revision of establishments. . . .

39. "'A perusal of the despatch leads to the conclusion that the Government of India are especially anxious to put an end to the competition of silver against their own bills as a means of remittance to India. But my Lords must ask whether this would be more than a transfer of their own burden to other shoulders; if so, who would eventually bear the loss, and what would be the effect on the credit of the Government and on the commerce of India.'"

40. The letter then further quotes the paragraphs, which I have already given before, pointing out that the relief wished for by the Government "will be given at the expense of the Indian taxpayer."—(*Supra*, para. 21.)

41. "The Treasury find no reason stated in the despatch of the Government of India in the present year, which induces them to dissent from the conclusions thus sent forth on the authority of Sir Stafford Northcote as to the results of any attempt artificially to enhance the gold price of silver. . . .

42. "'13. . . . It has been the policy of this country to emancipate commercial transactions as far as possible from legal control, and to impose no unnecessary restrictions upon the interchange of commodities. To fix the relative value of gold and silver by law would be to enter upon a course directly at variance with this principle, and would be regarded as an arbitrary interference with a natural law, not justified by any present necessity.

43. ". . . . The observation of the Treasury in 1879, 'that nothing is said about reduction of expenditure,' seems to apply still more strongly to the existing situation, and it may be safely concluded that the control of its expenditure is far more within the reach of a Government than is the regulation of the market value of the precious metals" (c. 4868, 1886, p. 12).

44. Before proceeding further, I may in passing point out that in 1876 the Government of India itself was against their present proposals, and, as my Lords of the Treasury say, they have urged no sound reasons to alter those views. I have not got the Government of India's despatch of 1876, but I quote from that of November 9, 1878 (c. 4868, 1886, p. 18).

45. "3. The despatch above referred to (October 13, 1876) discussed in some detail . . . . The general

result, however, was to point out that the adoption of a gold standard with a gold currency that should replace the existing silver would be so costly as to be impracticable, and would otherwise be open to objection; . . . .

46. "4. The despatch notices also, *but only to reject it*, the proposal that the Indian standard of value, and with it the exchange value of the rupee, might be raised by limiting the coining of silver in the future, and by adopting a gold standard without a gold currency." (The italics are mine.)

47. The Government of India, in their reply of February 9, 1877, to a resolution of the Bengal Chamber of Commerce passed by them on July 15, 1876, said:—

"8. The value of no substance can serve as a standard measure of value unless its use as the material of legal tender currency is freely admitted. If, therefore, the free coinage of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, namely, the monopoly value of the existing stock of rupees tempered by any additions made to it by the Government or illicitly. If no such additions were made, the value of the rupee will gradually but surely rise."

48. "9. The stamp of a properly regulated mint, such as the Indian Mints, adds nothing except the cost of manufacture and seignorage to the value of the metal on which it is impressed, but only certifies to its weight and purity."

49. "10. A sound system of currency must be automatic or self-regulating. No civilised Government can undertake to determine from time to time by how much the legal-tender currency should be increased or decreased, nor would it be justified in leaving the community without a fixed metallic standard of value even for a short time. It is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold." (c. 7060, 1893, p. 337. Petition of the Indian Association to the House of Commons.)

50. And yet the Government forgot its "civilisation" and its "sound system," and inflicted upon poor India the penalty of its folly by the troubles of the past five years, and what is worse still, they want to persist in the same mischief.

51. Reverting to the above replies of the Treasury. After such complete condemnation by the Treasury of the proposals of the Government of India, the Indian authorities fought shy of the Treasury, and, after inditing a meaningless despatch to keep up appearances, left the Treasury severely alone, as far as I know, and adopted their own usual means to have their own way to rush into their own foregone, crude, and thoughtless legislation. The only wonder is that the Committee of 1893, while knowing all this, and seeing all the pitfalls and serious consequences of the proposals, allowed the Indian Government to have their own way, in the face of the emphatic rejection by the Treasury of these proposals.

52. To me, the proceedings of the Indian authorities is nothing surprising. Whenever they make up their mind to do a thing they would do it—be the opposition what it may—be it of Parliament itself. Resolutions or statutes of Parliament, or condemnation by the Treasury, are to them nothing. The usual process in such cases is to appoint a Commission or a Committee, put in Members and have witnesses of their own choice, leaving, if possible, just a small margin for appearance of independence. Generally, they get their own foregone conclusions. If by some happy chance the Commission decided anything against their view, so much the worse for the Commission. The Report is pigeonholed, never to see the light of day, or to ignore such part as is not agreeable. If thwarted (as in this instance by the Treasury), the Government keep quiet for a time, wait for more favourable opportunities, and are at it again, taking better care against another mishap.

53. Thus they took their own usual course, which has, as was clearly predicted at the time, launched us on the present sea of troubles.

54. What is stranger still, is that after the Treasury so distinctly condemned these proposals, they did not care to see that any contemplated rash and crude legislation was not inflicted on the Indian taxpayers. The fact seems to be that India is the vile body upon which any quacks may perform any vivisection, and try any cruel, crude, or rash experiments. What matters what is done to it? The Treasury, *i.e.*, the English taxpayer, has not to suffer in any way. India is our helot, she can be forced to pay everything. But they forget Lord Salisbury's *eternal* words—"Injustice "will bring down the mightiest to ruin."

55. The next natural question is—Why is it, that fall in exchange should cause grievous troubles to India and not to any other self-governing, silver-using country? What is the real disease which creates all the never-ceasing pains of India? The reply is given by Lord Salisbury in four words, "India must be bled" under a system of "political hypocrisy." As long as this is the fate of India under an un-British system of government, no jugglery, no loud professions of benevolence, no device of raising a rupee to what it is not worth, will cure India's sad fate and "terrible misery." (Lord Salisbury's words).

56. I shall let the authorities themselves speak about the real cause of India's troubles. Lord Salisbury's view I have given above. The following extracts explain this view more explicitly, and how it is effected. First, Lord Salisbury has explained that "the injury "is exaggerated in the case of India, where so "much of the revenue is exported without a direct "equivalent."

57. And the literature of this very controversy itself supplied a clear explanation. Lord Randolph Churchill, as Secretary of State for India, explains how the "bleeding" and the drain of revenue is effected, and indicates also the final retribution—just as Lord Salisbury does, as already quoted by me. Lord Randolph Churchill, in his despatch to the Treasury of January 26, 1886 (c. 4,868) 1886, page 4, says:—first—

58. "It need hardly be said that it is in consequence of the large *obligatory payments* which the Government of India has to make in England in gold currency that the fall in the exchange value of the rupee affects the public finances." (Italics are mine).

59. And next he hits the nail on the head, and gives concisely and unmistakeably the real evil from which all India's woes flow.

60. He says:—"The position of India in relation to "taxation and the sources of the public revenues is "very peculiar, not merely from the habits of the "people, and their strong aversion to change, which "is more specially exhibited to new forms of taxation, "but likewise *from the character of the Government, "which is in the hands of foreigners who hold all the "principal administrative offices and form so large a "part of the army.* The impatience of new taxation, "which would have to be borne *wholly as a consequence "of the foreign rule imposed on the country, and virtually "to meet additions to charges arising outside of the "country*, would constitute a *political danger*, the real "magnitude of which, it is to be feared, is not at all "appreciated by persons who have no knowledge of, "or concern in, the government of India, but which "those responsible for that government have long "regarded as of the most serious order." (The italics are mine.)

61. Here, then, is the real disease—*the character of the Government, which is in the hands of foreigners*, who hold all the principal administrative offices, and form so large a part of the army—"the taxation which would "have to be borne *wholly as a consequence of the "foreign rule* imposed on the country, and virtually to "meet additions to charges arising outside of the "country."

62. And it is remarkable that this was prophesied more than a hundred years ago by the highest Indian authority of the day.

Sir John Shore, in his famous minute in 1787 (Parliamentary Return 377 of 1812, para. 132), says:—

63. "Whatever allowance we may make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by *evils inseparable from the system of a remote foreign dominion.*" (The italics are mine).

64. These *evils of the system of a remote foreign dominion* must be faced by the British rulers before it is "too late." No jugglery of currency, or loud pro-

fessions of benevolence, or the hundred and one subterfuges to which Indian authorities resort, will ever cure these evils—or put British rule on a solid and safe foundation and relieve the Indian people of all these national, political, and moral degradations and debasement, and economic and material destruction. Give India true *British* rule in place of the present *un-British* rule, and both England and India will be blessed and prosperous.

65. Now, with regard to the immediate position—What is to be done now? Retrace the false step of 1893, taken in spite of the clear warnings of the Treasury and others, and against the "law of Nature." The opening of the mints to the unrestricted coining of silver will correct all the mischievous results that have flowed from the closing of the mints. And further, the true remedy, as pointed out by the Treasury, is a reduction of expenditure and readjustment of establishments.

66. It never occurs to the Indian authorities in both countries that the high salaries of officials may be reduced, say a third, and as repeatedly urged by many a right-thinking man, native agency should be substituted—except for the highest control—for the foreign agency, and that Britain should contribute its fair share of the expenditure, to the extent to which such expenditure is incurred for *its own purposes* and *benefits*, such as the European services and Imperial wars, &c. Of course, anybody can understand that it is hard for officials to cut their own salaries, and let the Indians to come by their own or ask the British people to contribute a fair share. But this is the only remedy both for the preservation of English rule and for the prosperity of both England and India.

67. The opening of the mints will have immediate important effects. (1.) The stringency of the money market and the consequent dislocation of trade will be remedied. (2.) The poor taxpayer will have to submit to such additional taxation only (after careful and earnest reduction of expenditure and avoiding of suicidal and unnecessary wars) as will be absolutely necessary to meet the deficit caused by the natural fall of exchange, instead of a concealed enormous enhancement of the *whole* taxation of the country, under the disguise and by the creation of a false "rupee," by closing the mints, to the extent of the difference between the value of the true and false rupee (may be between 6*d.* and 16*d.*, or nearly three times as much).

The Indian authorities must take the advice which the Treasury has given and restore the currency law to its original purity and soundness.

68. The second proposal for a gold standard (with partial or full quantity of gold) must be abandoned. The Government of India have themselves condemned the proposal, as already stated, paragraph 45. What does it mean? It is most inopportune at present. It means that all the proportionate small quantity of silver that is in British India, and the proportionately large quantity that is in the native States, must be forcibly (not by any natural economic cause but by the despotism of the State) deprived of a large portion of its present value by throwing a large quantity of it in the market, and buy a large quantity of gold at a still higher proportion of value by the large additional demand created by it. All this loss in cheapening silver, and dearer gold to be squeezed out of the poor, wretched, famished ryot of India.

69. The conversion of silver into gold standard cannot be carried out without great cost (see paragraph 45), which will be the highest cruelty and tyranny to inflict upon the "bloodless" and miserable and helpless people of India, and especially this infliction to be made on the false assumption that it will give relief from the burden of the remittances for "Home Charges," when it will do nothing of the kind, as stated by Government itself.

70. The step is not at all necessary for any economic purpose, except that it will be a convenience to the foreign exploiter, official and non-official. A gold currency, without gold (paragraph 46) and with an unrestricted silver currency, is a delusion rejected by Government itself, and forcibly impressed by the Treasury.

71. I do sincerely hope and trust that this and all such heartlessness towards, and un-British treatment of, the wretched people of India will become a thing of the past, and a true *British* rule may bring blessing and prosperity to both Britain and India.

72. I beg to give in Appendix C. a statement of December 11, 1892, which I have submitted to the Currency Committee in 1892, from which it will be seen that I had then pointed out the objections to the proposals. I also beg to refer the Committee to my evidence before the same Committee on December 17, 1892. (C. 7060, II.), 1893, page 106.

73. There are several other more or less minor questions. Suppose a ryot is paying Rs. 10, what will be taken from him in gold? Will it be at the rate at which the intrinsic value of the silver is at the time (at present 11*d.*, may be 6*d.*) or will demand be made at the present false value of 1*s.* 4*d.*, or even in the despotic power, at the rate of 2*s.*, *i.e.*, 1*l.* of the Rs. 10?

74. When gold currency is introduced, what salary will be paid to the officials at 11*d.* or 6*d.* of whatever the market value of the rupee may be, or at 16*d.*, or even 24*d.*, of the despotic value of the "rupee," for every rupee of the salary—a rupee of 180 grains of silver. In other words, will it be 25*l.* at 6*d.*, or about 46*l.* at 11*d.*, or about 66*l.* at 16*d.*, or 100*l.* at 24*d.* for a present salary of Rs. 1,000 of a rupee of 180 grains?

75. There is the foreign merchant or capitalist of every kind always wanting to save himself in his trade-risks at the cost of the taxpayer, besides using to no small extent, or to the extent of the deposits of revenue in the banks, the revenues of the taxpayers, as his capital for his trade, and besides what is brought back to India, out of the "bleeding" of India as his, the foreign capitalist's, capital. Is Government going to inflict oppression upon the Indian taxpayer whenever these "interests" raise a cry and agitation for their selfish ends? Merchants and all sorts of foreign capitalistic exploiters and speculators must be left to themselves. It is no business of the State to interfere in their behalf at the cost of the Indian taxpayers; they know their business; they are able, and ought to be left to take care of themselves. They exploit the country with the Indians' revenue and "bleeding." That is bad enough in all conscience—the profits are theirs, and the losses must be also theirs, and not an additional infliction upon the Indian taxpayers.

76. The Government here dare not play such pranks with the taxpayers. In India the Government only thinks of the foreign "interests" (official and non-official) first, and of the subjects afterwards, if it ever thinks of the subjects at all when foreign "interests" are concerned.

77. Lord Mayo has truly said: "I have only one "object in all I do. I believe we have not done our "duty to the people of the land. Millions have been "spent on the conquering race, which might have "been spent in enriching and in elevating the children "of the soil. We have done much, but we can do a "great deal more. It is, however, impossible, unless "we spend less on the 'interests' and more on the "people."

78. On another occasion he said: "We must take "into account the inhabitants of the country—the "welfare of the people of India is our primary object. "If we are not here for their good, we ought not to be "here at all." ("The Hindu," of 4th May 1898. Sir W. Hunter's "Life of Mayo.")

79. This is exactly the whole truth. It is the "interests" alone that the present selfish system and spirit of Government care for—and though that is some profit to England, it is most destructive to India. If, according to the noble words of Lord Mayo, the *people's* true welfare were made the object, England itself will be vastly more benefited than it is at present, and India will also be benefited and will bless the name of England, instead of cursing it as she now begins to do—shut your eyes to it as much as you like. Do as Lord Mayo says, and all difficulties of trade, taxation, finances, currency, famine, plague, unnecessary wars, and last, but not least, of *poverty* and *disaffection* will vanish. The past has been bad, "bleeding, and degrading"—let the future be good yet—prospering and elevating. India then will be quite able to pay as much as may be necessary for healthy government, and *all necessary* progress.

80. In the above remarkable and true words of Lord Mayo, you have the cause of all India's woes and evils, and all England's political dangers of "the most serious order," as well as the proper remedy for them,

Will this Currency Committee rise to its duty and patriotism?

Yours truly,
DADABHAI NAOROJI.

Sir William Wedderburn,
Chairman of the British Committee of
The Indian National Congress,
84, Palace Chambers, Westminster, S.W.

APPENDIX A.

INDIAN EXCHANGES.

Correspondence in the "Times" of September 9th, 13th, 16th, 20th, and 27th, 1886, and the "Daily News," September 24th and 28th, 1886, not reprinted.

APPENDIX B.

Extracts from Parliamentary Papers, C. 4868, 1886, and C. 7098, 1893, not reprinted.

APPENDIX C.

"INDIA," July 1, 1893.—THE CURRENCY QUESTION.

Statement submitted by Mr. Dadabhai Naoroji to the Currency Committee.

The questions of exchange and currency in connexion with India have, unlike those questions in other countries, two different branches, and it is very important to keep them distinctly in mind.

(1.) Political. (2.) Commercial.

(1.) The political aspect entails upon British India the compulsory remittance of about 16,000,000*l.* to this country every year (which will now be 19,000,000*l.*, as no more railway capital will be forthcoming to be used here instead of drawing on India). I am not discussing here the righteousness or otherwise of this state of affairs. It is the loss caused by the fall in exchange in the remittances of these (now) 19,000,000*l.* which is the point under consideration. Otherwise the question of exchange would have no significance, as I have shown in my letters to the "Times" in September, 1886.

The proposal to introduce a gold currency into India is based on the argument that it would save all present loss to the people of India from the fall in exchange. It will do nothing of the kind. It will simply inflict greater loss and hardship on the wretched Indian taxpayer. I explain.

The Indian taxpayer, at the time when exchange was 2*s.* per rupee, was sending produce to England worth 16 crores of rupees to meet the payment of 16,000,000*l.* Now, taking exchange, say roundly 1*s.* per rupee, he has to send produce worth 38 crores of rupees to meet the (present) remittance of 19,000,000*l.*—or at a double rate. To avoid the confusion of ideas that prevails through the present controversy, I would eliminate silver altogether from the problem and put it in another form—that, when one rupee was equal to 2*s.*, the Indian taxpayer sent, say, one million tons of produce to meet the 19,000,000*l.* of Home Charges—when a rupee is 1*s.*, he has to send two million tons of produce to meet the same demand. Whether the currency be gold or silver or copper or lead will not be of the slightest consequence. The Indian taxpayer will have to send to this country as much produce, and not one ounce less, as would purchase 19,000,000*l.*—the only difference in the quantity of produce to be sent will depend solely on the rise or fall in gold. Only there will be on the poor taxpayer this additional infliction—that he will be saddled with the heavy cost of the conversion of the currency in gold; and gold becoming so much more in demand will still further rise, and the taxpayer will have to send so much more produce to meet the additional rise in the value of gold. All talk of saving to the Indian the present loss by fall in exchange is pure imagination.

Again, suppose a ryot is paying Rs. 10 as land tax. When gold currency is introduced, what will Government take from him in place of Rs. 10? Will Government demand at the supposed rate of 1*s.* per rupee—*i.e.*, ten shillings only—or will Government demand arbitrarily in its despotic power at the rate of the fictitious value of a rupee as two shillings and will take 1*l.*, or any amount at any higher rate above the intrinsic value of the rupee? Taking the gross revenue comprehensively, the total gross revenue is Rs. 850,000,000, what will Government take from the taxpayer when gold currency is introduced? Will it take at the present supposed rate of 1*s.* per rupee, viz., 42,500,000*l.*, or will it arbitrarily impose a double revenue at the rate of 2*s.* per rupee, so that from his present poor produce the taxpayer must sell double the produce to meet the demands of Government.? If the latter, what a precious benefit will this be to the Indian taxpayer from the gold currency!

When gold currency is introduced, what salary will be paid to the European official? Suppose he has a salary of Rs. 1,000 per month, will Government give him at the rate of 1*s.* per rupee, *i.e.*, 50*l.*, and will the official accept 50*l.* for the Rs. 1,000? Is not all the present strong agitation of the Anglo-Indian a clear reply that he will do nothing of the kind, but will continue his agitation till he gets 100*l.* or something near it for his Rs. 1,000; or in other words get his salary doubled at a stroke, at the expense of the starving ryot? And has not Government already shown that it will yield to such agitation, and will be readily "liberal" to European demands at the sacrifice of the Indians? It has already yielded to the demands of the uncovenanted Europeans, and has given them a fixed exchange of 1*s.* 9*d.* per rupee for their furlough, no matter whether exchange is 1*s.* or even less, say 6*d.* Now the whole European service is agitating to get them 1*s.* 9*d.* or some other high fixed exchange, even to the extent of half their salary. Do these Anglo-Indians really want to exact from the starving ryot such high exchange when the rupee is worth perhaps a shilling or even sixpence? Who will pay this difference? Of course an arbitrary Government may oppress a people as much as they like, but will the British people and Parliament allow such a thing?

On the top of all this comes the merchant with his agitation for the gold currency, that he may be saved, at the sacrifice of the ryot, from his risks of trade. The profits of trade are for his pocket, but risks of a commercial disturbance must be met by the ryot! The poverty-stricken ryot must protect the well-to-do-trader! God save India!

I do not need to trouble the Committee with any further remarks as to the effect of the introduction of a gold currency on the condition of the people, who according to Lord Lawrence's testimony, are living on scanty subsistence, and who, according to Lord Cromer, are already "extremely poor." Our friends the Anglo-Indians have to bear in mind that they are taking already from the mouths of the poor Indian about Rs. 150,000.000 or more every year as salaries, allowances, pensions, &c., to the so-much deprivation of the provision of the children of the soil. Will they never understand or consider this, and what evil that means to India?

A word about the proposal to stop free coinage of silver. Now we know that a trade, internal or external, especially internal, requires abundant currency in a country like India; the curtailment of the coinage of the rupee will dislocate and cripple the free action of the trade of the country, especially internally, and will inflict serious injury and create some new complications. Secondly, the rupee, being thus artificially raised to a fictitious value by being made scarce, will depress the price of produce, and the ryot will be obliged to part with more of his poor produce to meet the demands of Government. Will this be a benefit to him? Further, by this restriction on coinage the wretched Indian taxpayer will not be relieved of a single ounce of produce in his forced remittances for the Home charges of 19,000,000*l.*—in gold. Whatever the exchangeable value of gold is in relation to produce will have to be paid by the poor ryot, be the forced artificial exchange or the fictitious value of rupee what it may. By restricting the coinage of silver—the price of silver in relation to produce being artificially enhanced—the taxpayer will have to pay the salary of all

the European and other officials in such higher priced rupee, with so much more produce to part with; which, in short, will in effect be a far heavier burden, by increasing the *whole* salary of the officials of all the services, both Indians and Europeans, at so much the greater sacrifice of the wretched ryot.

The agitation for stopping coinage of silver or introducing gold currency, far from relieving the Indian taxpayer from the present loss by fall in exchange, which in all conscience is very heavy indeed, will actually inflict greater injury upon the helpless fellows. All attempts at artificial tampering with currency will, besides injuring the people, recoil upon the perpetrators of the mischief. They can no more raise the value of silver fictitiously than they can suspend gravitation.

The evil of the present loss from exchange does not arise from the fall in exchange, but from the unfortunate, unnatural political and economic condition of British India. Were there no compulsory remittances to this country (any ordinary *free* transactions of business or loans between two countries not mattering beyond the usual risks of business), there would be no evil or embarrassing loss to Government such as we are considering. The excessive European services are the cause of all such calamity upon the Indians. Any other silver-using country—for instance, China—has no problem like that which at present embarrasses the British Indian Government.

(2.) Coming to the second branch of the question, viz., the effect of the fall in exchange on international trade (for it is in such trade or business only that exchange is concerned), the best thing I can do is to give below the letter I wrote to the "Times" in September 1886, and some other letters (I have inserted those letters, which I need not repeat here.) Of the letters to the "Times," that paper was pleased to write approvingly in one of its leaders.* Further, I have made, in the statement, some remarks as to the action of the United States in endeavouring futilely to stop the silver storm, instead of allowing it to run its course. This I need not give here.

The step which the Government has now taken will, I am afraid, produce much mischief, and inflict great injury on the taxpayer, crushingly heavy loaded as he already is. The utmost that the Government might have done would have been, as I was afraid they were determined to do, to give some fixed exchange to the officials for their remittances to this country—to as much as half the salary. This would have been bad enough, but the course the Government have adopted, and for which there was no great necessity, will, I fear, prove far more injurious.

Washington House,
72, Anerley Park, S.E.,
DEAR SIR WILLIAM, 20 October 1898.

SINCE my letter of 28th July last, I have perused the blue book of the evidence given before the Currency Committee, and I feel it necessary to make a further statement.

"*British India.*"

2. These words are often used in a very misleading and confusing manner. I give below an extract from a statement which I have submitted to "the Royal Commission on Indian Expenditure and Apportionment of Charges," which I hope will place the matter in a clearer light.

3. "Before I proceed further, let me clear up a strange confusion of ideas about prosperous British India and poverty-stricken British India. This confusion of ideas arises from this circumstance. My remarks are for British India only.

4. "In reality there are two Indias—one the prosperous, the other poverty-stricken.

"(1) The prosperous India is the India of the British and other foreigners. They exploit India as officials, non-officials, capitalists, in a variety of ways, and carry away enormous wealth to their own country. To them India is, of course, rich and prosperous. The more they can carry away, the richer and more prosperous India is to them. These British and other foreigners cannot understand and realise why India can be called "extremely poor," when they can make their life careers; they can draw so much wealth from it and enrich their own country. It seldom occurs to them, if at all, what all that means to the Indians themselves.

"(2) The second India is the India of the Indians—the poverty-stricken India. This India 'bled' and exploited in every way of their wealth, of their services, of their land, labour, and all resources by the foreigners, helpless and voiceless, governed by the arbitrary law and argument of force, and with injustice and unrighteousness—this India of the Indians becomes the 'poorest' country in the world, after one hundred and fifty years of British rule, to the disgrace of the British name. The greater the drain, the greater the impoverishment, resulting in all the scourges of war, famine and pestilence. Lord Salisbury's words face us at every turn, 'Injustice will bring down the mightiest to ruin.' If this distinction of the 'prosperous India' of the slave-holders and the 'poverty-stricken India' of the slaves be carefully borne in mind, a great deal of the controversy on this point will be saved. Britain can, by a righteous system, make both Indias prosperous. The great pity is that the Indian authorities do not or would not see it. They are blinded by selfishness—to find careers for 'our boys.'" (Letter to Lord Welby, dated 31st January 1897).

5. This state of affairs arises from the evil system of an un-British foreign dominion as predicted by Sir John Shore in 1787. This evil makes the action of the British trader and capitalist an exploitation, which otherwise, under ordinary circumstances under true British system, would be legitimate trade and investment.

6. Almost throughout the blue book, the thing chiefly considered is the requirements and benefits of the "foreign prosperous British India." "Indians' India" chiefly comes in only for the consideration as to how to tax the Indians in order to meet the requirements and benefits of the British official bleeders and non-official exploiters. Earnestly and repeatedly are questions put and answers given—how additional taxation should be raised—*not how to probe the evil and to find the true remedy.*

7. The main scope and direction of the evidence is as if India were a country and property of the Anglo-Indians and British traders and capitalists; as if, therefore, their wants and requirements, and the means of enabling them to carry away as much wealth as they possibly can to England, were the chief object; and as if to consider the land, resources, and labour of India as only the instruments for the above purpose.

"*Indebtedness of India.*"

8. This expression is repeatedly brought out for the self-satisfaction and justification of the exploitation. Let us examine how this particular phenomenon is brought about.

9. The process is this: The total amount of "Home Charges" is 15,795,836*l.* (Stat. Abstract for 1896–7, p. 106) [C. 9036], 1898. Out of this, I deduct fully—railways 5,790,567*l.*, and stores department 951,700*l.* In deducting these two items I do not mean that I admit the necessity of doing so entirely, but that I want to avoid any controversy at this stage upon what are called "Public Works Loans," made by England, and Government stores. The remainder, after making the above deductions, is 9,053,569*l.* = R. 199,178,518, at 1*l.d.* per rupee, about R. 22 per 1*l.*, about which is the present legitimate rate for the true rupee, and which, with much more, though under disguise, the Indian taxpayer is actually forced to pay. Taking roughly R. 200,000,000, every pie of it is drawn from the people of British India, and becomes an addition to the capital or wealth of England, and is altogether spent in England, every year.

10. Next, the European services are paid in India every year (at R. 1,000 and upwards per annum, not including lower salaries), about R. 94,679,627 (including a small amount of pensions paid to Eurasians,

* The "Times," January 26, 1889:—"We observe with pleasure that Lord Cross says nothing on the bounty alleged to be enjoyed by the Indian wheat grower through the fall in the value of silver. This piece of nonsense has been again and again exposed in the letters of our correspondents, and never more clearly and forcibly than by Mr. Dadabhai Naoroji"

not separately given) (Parl. Ret. 192 of 1892). I do not know whether this amount includes the payments made for and to European soldiers in India. I think not. If so, this has to be added to the above amount. To it has also to be added, I think, the illegal exchange compensation, which is allowed to Europeans, thereby out-Shylocking Shylock himself by not only taking the pound of flesh, but an ounce of blood also. Almost the whole of this amount of R. 94,679,627—say roughly, R. 95,000,000—plus soldiers' payments and exchange compensation, is a loss to the people of British India, excepting in a way a small portion which goes to domestic servants, house-owners, &c. But these amounts would have gone all the same to these domestics, &c., even though Indians had been in the place of the Europeans. The services rendered by such domestics, &c., being consumed by others than the children of the soil are so far a loss to the country.

11. But I do not propose to argue this point here. I allow for the present this expenditure in British India by the European officials as not forming a part of the loss by the drain. I think it is generally claimed by the Anglo-Indians that such expenditure in India by European officials is about, on an average, half of the salaries and emoluments paid to them in India, and that the other half is about the amount which is remitted to England for families and of savings. Taking, therefore, this half of R. 94,679,627 = R. 47,339,813, and adding this amount to R. 200,000,000 (para. 9), the total is roughly R. 250,000,000 every year—probably more, if the two additions mentioned above of European soldiers' payments and exchange compensations were made. This enormous amount of annual political drain causes what Sir George Wingate very properly calls a "cruel and crushing tribute." Never could India have suffered such a cruel fate in all its history or existence.

12. The first step, therefore, towards the so-called "indebtedness" is, that British India is "bled" every year to the amount of about R. 250,000,000 clean out of the country, and this enormous wealth is year after year poured into England. Will the India Office be good enough to make a return of the enormous wealth which England has drained out of India during its whole connexion?

13. Now, the second stage in the process of the manufacture of "indebtedness," is that out of this enormous wealth, drawn away from India—(sufficient, and far more than sufficient, to build thousands of miles of railways and every possible public works, and to meet every possible requirement of good government and progress to the highest prosperity and civilization) —out of this enormous drain, a small portion is taken back to India as "British capital," when it is nothing of the kind, and by means of the so-called "British capital," all Indian resources of land and labour are further exploited by "British"(?) capitalists of every kind. All the profits made thereon are so much more wealth drawn away from India and brought to England.

14. Further, the foreign exploiters are not satisfied with the small portion of Indian wealth which they take back to India as their own capital, but they insist upon being further helped from the very current revenues of the country. So voracious are these exploiters, that they clamour against Government for not putting its whole revenue at their disposal in the Presidency Banks instead of keeping a portion in the Treasury. Thus, there is, at first, a political bleeding, which is the foundation evil, and in its train and by its help comes the so-called "commercial" or capitalistic exploitation.

15. Thus is manufactured that complacent "indebtedness," in the name of which, the bleeding and exploitation are unceasingly and ever-increasingly carried on, and which is so pleasant, so profitable, and so nice an excuse to the Anglo-Indian and British capitalists' heart.

16. In reality, there is not a single farthing of indebtedness from India to England. It is England that is under a very vast material and moral debt to India. Of the latter (moral) debt, I cannot speak much here, though it is no less enormous and grievous than the former.

17. Besides the sum of R. 400,000,000 now drained from India (para. 24) every year (1) the British Indian Empire is built up at the *entire* expense of India and mainly with Indian blood. Even now, Indian blood is contributing in extending the British Empire and benefits in other parts of the world. And what a reward—a helotry! (2.) Not only this, but in addition to the cost of building up the whole Indian Empire, England has taken away from India an amount of wealth since its connexion with India, which, with ordinary commercial compound interest, will amount to thousands and thousands of millions sterling.

18. It may be asked whether I mean that I do not want British capitalists to go and trade or employ their capital in India? I mean nothing of the kind. By all means let them do so. Under ordinary circumstances, India will hail it as any other country may do. But let it be with *their own* capital. Let them bring their own capital and make upon it as much profit as they can with India's blessing upon it. What I mean is, that they should not first plunder "India, leaving it "wretched and helpless; then bring back a portion of "the plundered" India's wealth as their own, exploit therewith India's resources of land and labour, carry away the profits, and leave the Indians mere hewers of wood and drawers of water—mere slaves in worse plight than even that in which the slaves of the Southern States of America were.

19. If England can understand her true interests—political, moral, economic, or material: if she would hold back her hand from India's throat, and let India enjoy its *own* resources, England can make India prosperous, and, as a necessary consequence, can derive from India far, far greater benefit, with India's blessing, than what she derives at present with India's curse of the scourges of war, pestilence, and famine, and of an ever-increasing poverty.

20. The word "indebtedness" must be taken at its correct interpretation. It is simply "bleeding" and exploitation, or what Mr. Bright indirectly characterised "plunder."

"Balance of Trade in India's favour, and excess of Exports over Imports as a Benefit to India."

21. What is balance of trade in its true sense? Say a country exports 100,000,000*l.* worth of its produce. It gets back in imports, say, 80,000,000*l.* worth of other countries' merchandise. The remaining balance of 20,000,000*l.* of the original exports, and, say, 10 per cent. of profits, or 10.000.000*l.*, altogether 30,000,000*l.* has *to be received*. This 30,000,000*l.* is called balance of trade in favour of that country. And when that country actually receives this balance of 30,000,000*l.*, either in the shape of bullion or merchandise, then its account is said to be squared or settled.

22. I have not included in this trade account any true borrowing or lending. Such borrowing or lending can be considered by itself. A country's borrowing is included in its imports, and the interest it pays is a part of its exports. This loan account between any two independent countries can be estimated and allowed for, and that in no way affects the *bonâ fide* balance of trade. If India be allowed to, and can, *get* its true balance of trade, it would be only too happy to make any legitimate borrowing or lending with any country with benefit to both.

23. But such is *not* India's condition. What is India's actual condition? What is its so-called "balance of trade," of which much mistaken or wrong view is taken in the evidence. Be it first remembered, as I have already explained under the heading of "indebtedness," that what is called India's debt is nothing of the kind, but simply and solely part of its own wealth taken away from it.

24. Let us see what the amount is. (C. 9036, 1898, p. 277.) Taking the last five years as an illustration, the total net exports for 1892–3 to 1896–7 are R.1,314,600,000. The total exports for the same period are R.5,688,000,000. Taking 10 per cent. profits thereon will be R.568,800,000. Therefore the total excess of net exports plus profits would be R.1,883,400,000. Then again, the so-called "loans" from this country are included in imports, the net exports must be increased to that extent. The addition to commercial debt in this country after 1891–2 to 1896–7 is 6,479,000*l.* (C. 9036, 1898, p. 130), or say 6,500,000*l.*, which, at the average rate of exchange of the same years (p. 131) about 1*s.* 2*d.* per rupee, or nearly R.17 per 1*l.*, is equal to R.110,500,000. So that the total of net exports (excluding loans from imports) and profits will be R.1,883,400,000 + 110.500.000. equal to R.1,993,900,000, or about, roundly, R.2,000,000,000. During the five

years the average per year will be about R.400,000,000. Now, to call this as "balance of trade in favour of India" is the grossest abuse of language. It is neither "trade" nor "balance of trade." It is simply and solely *remittances* of the official bleeding, and the exploitation of the non-official capitalists. Not a *pie* of this tremendous amount—R.400,000,000 every year—will India ever see back as its *own*, while in true "balance of trade" the whole of this amount should go back to India as its *own*.

25. No wonder Sir William Harcourt's heart rejoiced at the leaps and bounds with which the income-tax increased year after year in this country. In his speech on the occasion of his famous Budget he rejoiced at the increasing income-tax, never seeming to dream how much of it was drawn from the "bleeding" drain from India.

26. With what self-satisfied benevolence have examiners and witnesses talked of the great benefit they were conferring upon India by making every effort to increase the excess of exports in order to enable poor India to meet her "indebtedness." Such is the Indian myth. But what is the reality? To increase the net exports as much as possible means to increase the remittances of the bleeding and exploitation of every year of which not a farthing is to return to India as its own. Extraordinary, how ingeniously matters can be, and are, represented or rather misrepresented, and the public here entirely misled.

"Surpluses" and "Solvency."

27. There never have been and never will be true surpluses or solvency of British India, as long as the present evil system of Government lasts. What is a surplus of the finances of any country? Suppose that in England you raise 100,000,000*l.* of revenue. Suppose 95,000,000*l.* are spent and 5,000,000*l.* remain in hand at the end of the year; and this 5,000,000*l.* is called surplus, and that the Government, if it does not impose any additional taxation or does not borrow, is solvent. Now, the essential condition of this surplus is that the whole of the 95,000,000*l.* has returned to the taxpaying people themselves in a variety of ways and continues to be the part and parcel of the wealth of the country and the remaining 5,000,000*l.* will also go back to the people and remain a part of the wealth of the country.

28. But what is the case with India? It is nothing of the kind. Suppose R.1,000,000,000 are raised as revenue. Suppose R.950,000,000 are spent, leaving R.50,000,000 in hand at the end of the year. Now, are these R.50,000,000 a surplus? No, the R.950,000,000 have not all returned to the people and have not remained as part of India's own wealth. Some R.250,000,000 (*see* paragraph 12) are drained clean out of the country by foreigners, never to return to India. Till these R.250,000,000 are returned to India as its own, which they never are, and which is a dead loss, to talk of a surplus of R.50,000,000 is another gross abuse of language. Instead of R.50,000,000 surplus, there is a pure deficit or rather entire loss of R.250,000,000. And such perpetual losses are pure bankruptcy.

29. I repeat that there never has been and never will be any surplus in India, as long as from every year's revenue, there is a clean drain, which at present is at the rate of about R.250,000,000. In this country all that is raised as revenue returns to the country, just as all water evaporating from the ocean returns to the ocean. And England's ocean of wealth remains as full as ever, as far as revenue is concerned. India's ocean on the contrary must go on evaporating and drying every year more and more.

30. The only reason why the Indian Government does not go into bankruptcy—bankrupt though it always is—is that it can by its despotism squeeze out more and more from the helpless taxpayer without mercy or without any let or hindrance. And if at any time it feels fear at the possible exasperation of the people at the enormity, it quietly borrows and adds to the permanent burden of the people, without the slightest compunction or concern. Of course, the Government of India can never become bankrupt till retribution comes and the whole ends in disaster.

31. I have referred in the above consideration to the official bleeding only. But when to this is added the further exploitation of the land (meaning all the resources) and labour of the country, which I have already described, the idea of surplus or solvency, or of any addition to the wealth or prosperity of the *people* (however much it may be of the Europeans), becomes supremely ridiculous and absurd.

Import of Bullion and Hoarding.

32. Reference is frequently made to this matter. I think the best thing I can do is to give an extract from my reply to Sir Grant Duff in "Westminster Review" of November 1887,

33. "Sir Grant Duff refers to the absorption of gold and silver and to hoarding. What are the facts about British India?—In my "Poverty of India" I have treated the subject at some length. The total amount (after deducting the exports from imports) retained by India during a period of eighty-four years (1801 to 1884), including the exceptionally large imports during the American war, is 455,761,385*l.* This is for *all* India. The population at present is 254,000,000. I may take the average of eighty-four years roughly—say 200,000,000. This gives 45*s.* 6*d.* per head for the whole eighty-four years, or 6½*d.* per head per annum. Even if I took the average population as 180,000,000, the amount per head for the eighty-four years would be 50*s.*, or 7*d.* per head per annum. Of the United Kingdom I cannot get returns before 1858. The total amount of treasure retained by the United Kingdom (after deducting exports from imports) is, for twenty-seven years, from 1858 to 1884, 86,194,937*l.* Taking an average of 31,000,000 of population for twenty-seven years, the amount retained for these twenty-seven years is 55*s.* 7*d.* per head, or very nearly 2*s.* 1*d.* per head per annum; while in India for more than three times the same period the amount is only 45*s.* 6*d.* per head, or 6½*d.* per head per annum. France has retained from 1861 to 1880 ("Mulhall's Dictionary") 208,000,000*l.*, and taking the population—say 37,000,000—that gives 112*s.* per head in twenty years, or 5*s.* 7*d.* per head per annum."

34. "Sir Grant Duff ought to consider that the large amount of bullion is to be distributed over a vast country and a vast population, nearly equal to five-sixths of the population of the whole of Europe; and when the whole population is considered, what a wretched amount is this of gold and silver—viz., 6½*d.* per head per annum—received for all possible wants! India does not produce any gold or silver. To compare it with Europe—Europe retained in ten years, 1871–1880 (Mulhall, "Progress of the World," 1880), 327,000,000*l.* for an average population of about 300,000,000, or 21*s.* 10*d.* per head, or 2*s.* 2*d.* per head per annum. India during the same ten years retained 65,774,252*l.* for an average population of say 245,000,000; so that the whole amount retained for the ten years is about 5*s.* 4*d.*, or only 6½*d.* per head per annum, against 21*s.* 10*d.* and 2*s.* 2*d.* respectively of Europe. This means that India retained only one-fourth of what Europe retained per head per annum during these 10 years. It must be further remembered that there is no such vast system of cheques, clearing-houses, &c., in India, as plays so important a part in England and other countries of Europe. Wretched as the provision of 6½*d.* per head per annum is for *all* wants—political, social, commercial, &c.—there is something far worse behind for British India. All the gold and silver that I have shown above as retained by India is not for British India only, but for the Native States, the frontier territories, and the European population; and then the remainder is for the native population of British India. We must have official information about these four divisions before we can form a correct estimate of what British India retains. The Native States, as I have said before, have no foreign drain except the small amount of tribute of about 700,000*l.* Some frontier territories *receive* something instead of paying any tribute. These States, therefore, receive back for the exports of their merchandise, and for the ordinary trade profits on such exports, full returns in imports of merchandise and treasure, and this treasure taken away by the Native States and frontier territories forms not a small portion of what is imported into India. It must also be considered how much metal is necessary every year for waste of coin and metal, and for the wants of circulating currency. When Government can give us all such information, it will be found that precious little remains for British India beyond what it is compelled to import for its absolute wants. I hope England does not mean to say that Englishmen or English women may sport as much as they like in ornaments or personal trinkets or jewellery, but that the wretch of a native of British India, their fellow-subject, has no business or right to

put a few shillings' worth of trinkets on his wife or daughter's person—or that natives must simply live the lives of brutes, subsist on their 'scanty subsistence' (Lord Lawrence) and thank their stars that they have that much."

35. "I will now try to give some indication of what bullion British India actually retains. Mr. Harrison gave his evidence before the Parliamentary Committee of 1871–74, that about 1,000,000*l.* of fresh coinage was more than sufficient to supply the waste of coin or metal. Is it too much to assume that in the very widespread and minute distribution, over a vast surface and a vast population, of small trinkets or ornaments of silver, and their rough use, another million may be required to supply waste and loss? If only a pennyworth per head per annum be so wanted, it would make a million sterling. Next, how much goes to the Native States and the frontier territories? Here are a few significant official figures as an indication: The 'Report of the external land trade and railway borne 'trade of the Bombay Presidency for 1884–85' (p. 2), says of Rajputana and Central India:—'13. The im-'ports from the external blocks being greater than the 'exports to them, the balance of trade due by the 'Presidency to the other provinces amounts to 'Rs. 12,01,05,912, as appears from the above table 'and the following.' I take the Native States from the table referred to.

"*Excess of Imports in Bombay Presidency.*"

	Rs.
"From Rajputana and Central India -	5,55,46,753
„ Berar - - - -	1,48,91,355
„ Hyderabad - - -	8,67,688
Total - -	7,13,05,796"

Or 7,130,579*l.*, This means that these Native States have exported so much more merchandise than they have imported. Thereupon the Report remarks thus:—'The greatest balance is in favour of Rajputana and 'Central India, caused by the import of opium from 'that block. Next to it is that of the Central Pro-'vinces. It is presumed that these balances are paid 'back *mainly in cash*' (the *italics* are mine). This, then, is the way the treasure goes; and poor British India gets all the abuse—insult added to injury. Its candle burns not only at both ends, but at all parts.

36. Far from any important quantity or any quantity of bullion going to British-India as "balance of trade," Rs. 400,000,000 worth of British-India's wealth at present goes clean out of the country every year never to return to it as its own.

Benefits derived from cheap silver—A low rupee and low exchange promotes and develops exports.

37. That there is some temporary advantage from low exchange to silver-using countries over gold-using countries, I have already explained in my letter to the "Daily News" of 24 September 1886 (App. A. of my letter already submitted). But in British India this little advantage is not of much avail to the poor people. What becomes of it when they must perforce lose every year, never to return to them, Rs. 400,000,000 of wealth out of their miserable total produce leaving them so much more poor and miserable. It is idle to talk of the people of British India deriving benefit from low exchange or from anything as long as these tremendous bleeding and exploitation go on.

Prices and Wages.

38. The above remarks apply equally to prices and wages. How on earth under such a drain can there be any healthy increase of prices or wages arising from true prosperity? Before the Royal Commission on Indian Expenditure and Apportionment, a member having asserted that there was general rise of prices, Mr. Jacob, as official witness, confirmed the statement. Thereupon, I prepared some questions, took the paper to Mr. Jacob and gave it to him to enable him to prepare the replies. And what was my surprise when he told me that the subject was not of his department and he would not answer the questions though he did not hesitate to say that there was a general rise of prices!

If of any use I shall produce the questions before the Committee. But first of all there are no reliable statistics sufficient to draw any correct conclusions, and conclusions of any value cannot be drawn about any one factor from prices or wages which are the results of many factors.

39. I would not lengthen this statement by noting several other points in the Blue Book, but conclude by repeating what Sir John Shore has said more than a hundred years ago (in 1787). His words were true then, are true to this day, and will remain true in future if the evil pointed out by him continues. He said:—

"Whatever allowance we may make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by the evils inseparable from the system of a remote foreign dominion."

40. This evil system must be altered, or as I have said before (par. 5) what under natural circumstances would in any country be legitimate trade and investment by British people, becomes, under this evil system of an un-British rule, cruel exploitation. Unless this evil is remedied, there is no hope for British India, and disaster both for England and India is the only look-out.

41. Let England pay fairly and honestly her share of expenditure incurred for her own interests, and end the bleeding by a careful consideration of the following words of the Duke of Devonshire, as Secretary of State for India, spoken in 1883:—

"There can, in my opinion, be very little doubt that "India is insufficiently governed . . . If the "country is to be better governed, that can only be "done by the employment of the best and most "intelligent of the Natives in the service." And the best means of attaining this object is to give honourable fulfilment to the resolution passed by the House of Commons in June 1893, about simultaneous examinations.

42. Unless Acts and Resolutions of Parliament and Royal Proclamations are honourably fulfilled, and a righteous government, worthy of the English character and promises and professions, is established, no currency or financial jugglery, or "political hypocrisy," or any "subterfuges," or un-British despotic ruling, will avail or remedy the ever-growing and various evils that *must* constantly flow from an unrighteous system.

43. Lord Salisbury's eternal words stare us in the face: "Injustice will bring down the mightiest to ruin."

Yours truly,
DADABHAI NAOROJI.

Sir William Wedderburn, M.P.,
Chairman of the British Committee of
The Indian National Congress,
84, Palace Chambers, Westminster, S.W.

No. 26.

LETTER from the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS communicating Resolution adopted by the INDIAN NATIONAL CONGRESS at MADRAS in December 1898.

British Committee of the
Indian National Congress,
84 & 85, Palace Chambers,
Westminster, S.W.,
27th February, 1899.

SIR,

IN accordance with the resolution of the Indian National Congress, I have the honour to communicate the following Resolution, unanimously adopted by the Congress at Madras in December last, for the favourable consideration of the Indian Currrency Committee:—

Resolved—

(*a.*) That having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss, either by changing the currency at a heavy loss, or contracting the internal currency,

must add to the pressure on India's monetary resources and to her trading disadvantage;

(*b.*) That the only real relief lies in carrying out practically the principle, affirmed by competent authorities, of England bearing an equitable share of that expenditure;

(*c.*) That the Congress regrets, that, save Mr. Romesh Chunder Dutt, and Mr. Merwanji Rastamji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee of which Sir Henry Fowler is the President;

(*d.*) That the President be authorized to request Sir W. Wedderburn, Chairman of the British Committee, to communicate this Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London.

Proposed by Mr. D. E. Wacha, Bombay.
Seconded by Mr. G. Subramania Iyer, Madras.

In order to show the considerations which appear to have influenced the Congress in passing this Resolution I beg at the same time to forward a report of the speeches made by the mover and seconder.*

I have the honour to be,
Sir,
Your obedient Servant,
W. WEDDERBURN.

The Right Hon.
Sir H. H. Fowler, M.P., Chairman,
Indian Currency Committee.

No. 27.

SPEECH of Mr. DINSHA EDULJI WACHA at the FOURTEENTH INDIAN NATIONAL CONGRESS, held at MADRAS on 29th, 30th, and 31st December 1898.

(*Received through the British Committee of the Indian National Congress.*)

Mr. President, Ladies and Gentlemen—The Resolution which has been entrusted to me runs as follows:

(*a.*) That, having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss either by changing the currency at a heavy cost or contracting the internal currency must add to the pressure on India's monetary resources and to her trading disadvantage.

(*b.*) That the only real relief lies in carrying out practically the principle affirmed by competent authorities of England bearing an equitable share of that expenditure.

(*c.*) That the Congress regrets that, save Mr. Romesh Chunder Dutt and Mr. Merwanji Rastamji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee of which Sir Henry Fowler is the President.

(*d.*) That the President be authorised to request Sir W. Wedderburn, Chairman of the British Congress Committee, to communicate this Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London.

From the Resolution that I have just read out to you, it will, no doubt, be readily understood how important is this subject of currency at the present moment, and how far-reaching is it in its effects, intimately bound up as it is with the whole economic situation of a country so vast as India. When you reflect on the fact that the welfare of the people of a country greatly depends on its economic conditions, of which currency is one of the most potent, you will, I dare say, readily admit the influence such a condition exerts not only on the material prosperity of the population as a whole, but on that of each unit composing it. You may, therefore, easily realise what it is to alter the established currency of a country like India with its three hundred millions of people. Practically, its effects have influence on each unit of those millions. They affect you and they affect me. (Hear, hear.) But, though each individual feels their influence, he is not able to probe the cause or causes to the root. Highly technical as this subject of currency is, it is obvious that the difficulty of apprehending it lies in its manifold aspects. But technical though it be, I hope not to tire your patience while I am descanting on it, or make you go to sleep. I cannot say that I will keep you quite enlivened as our friend Mr. Khaparde (cheers) did yesterday by his humorous speech in connexion with the retrogressive policy of our rulers in the matter of Local Self-government. Currency, in the first place, is rather too serious a subject to be trifled with, and, in the second place, it will not lend itself to humour.

I shall at the outset recall to your mind, as briefly as possible, the history of the currency legislation during the last five years, and then survey the situation as revealed by the evidence recorded before the Committee of which Sir Henry Fowler is the President. Ladies and Gentlemen, from the very day that the new currency nostrum, officially known as the Amended Coinage Act of 1893, was enacted as law within half an hour by the Legislature at Simla, without any of the representatives of the people being summoned for the occasion, it has often occurred to me that the Government of India and the Services were entirely going wrong on this question. We have among us a native proverb, at least, on my side of India, that when the stomach is in disorder it is the head that is complained of. While the stomach is aching the head is needlessly accused. (Laughter.) Precisely in the same way, the disease, Ladies and Gentlemen, is not currency at all, but the Home Charges. It is misleading for the Government and its high officials to aver that it is the instability of exchange which has disturbed the finances for many a year past; and that the great divergence between the value of gold and silver is the cause of that instability. In their opinion, that cause could only be removed by altering the currency. Everything would, under that circumstance, go right. The financial embarrassments would be a thing of the past and prosperity would return to the State. But the authorities entirely ignored the fact that exchange would never be a disturbing factor were the gold obligations of the Government non-existent. Exchange was only the result of those obligations. The obligations themselves are the primary cause, the fountain and origin, of the great evils to be relieved from which they loudly insist upon a change of currency. You all know, what is a patent fact, that these gold obligations have now mounted up to nearly 17 millions sterling. (Hear, hear.) There has been for years past a steady growth in the demands made on India by the Home Government for expenditure incurred in England. But before I dilate on this question of the Home Charges which alone, I repeat, are at the root of the present financial difficulty, and not currency, I trust you will bear with me for a few moments while I endeavour to recall to your mind the history of the Currency legislation since 26th June 1893.

It was on that fateful day that the older Currency Act, which for many a year past had worked most smoothly, most automatically, and to the greatest welfare of the people, was superseded by an amended one whereby the mints were entirely closed to the free coinage of silver. All the economic evils from which the people at large and the banking and mercantile communities have suffered, and are suffering, since that event owe their origin to that measure which has often been characterised, and, in my opinion, justly characterised, as "the crime of 26th June 1893." (Hear, hear.) As I observed at one of the previous Congresses, that legislation was purely the offspring of panic. We have had more than one piece of panic legislation, of a most mischievous and obnoxious character (hear, hear) since that date; but this particular enactment was the result of the economic panic which had seized the Government of India, and of which it seems it has not yet ridden itself. Without caring to carefully diagnose the true complaint, the Government jumped to the conclusion that it was the great disparity between silver and gold which created all the financial disturbance. It, therefore, straightway forged a new Currency Act and passed it in half an hour, with merely the semblance of a debate, while there was not a single representative of the people to explain the popular view of that measure. Had there been such representatives, they might have informed the Legislature of the immense mischief that enactment was certain to create, and the dislocation of the trade it would bring in its train. How the great staple manufactures and industries suffered; how exports contracted; how confidence was shaken, and how suspense and anxiety for months prevailed, are now

* For Mr. Wacha's speech, *see* No. 27. Mr. Iyer's speech was received too late for inclusion in this Appendix.

all matters of history. The Government, frightened merely by the rumour of what the Treasury of the United States might do in connexion with the Sherman Act, thought that silver would depreciate further, and that exchange would rule lower than even a shilling, bringing about an appalling deficit! However, the unwise and ill-considered step was taken, in spite of the protest of the whole country save the Selfish Services and the interested members of the Gold Defence Association, led by Sir James Mackay. The principal object of the measure was to induce a stable ratio, such as would remain steady somewhere at 16 pence. But it was soon discovered that no such stability could be imparted, and no such rate could be maintained. It was fondly entertained by the currency prodigies at head-quarters that the immediate effect of the closure of the mints would be a diminution on the imports of silver. But to their intense disappointment that hope was not realised. The very first trouble which exercised their mind was the continued importation of the metal. The average in the four years following was only half a crore below the normal average of the 35 years previous, namely, 7 crores. This important fact proved the failure of the measure. Exchange ruled as under after the date of the closure :—

At 14·5	pence in	1893–4.
,, 13·10	,,	1894–5.
,, 13·63	,,	1895–6.
,, 14·48	,,	1896–7.

Silver could not be shut out. In my opinion it never could be shut out, however stringent and prohibitive legislation might be. As you all know, India is the sink of silver. From times immemorial it has absorbed the white metal, and will continue to absorb it, though it may for a time be artificially shut out. It has been found to be the most suitable metal for all economic as well as domestic purposes. It is a fundamental oxiom of economists that currency should not be of a material which is not suitable and convenient to the people. Only the other day, Sir R. Giffen, in his able criticism on the Government of India's proposal, in the *Economic Journal* for October last, emphasised that fundamental proposition. Lord Rothschild has been of the same opinion. Hence, to shut out silver from India, is simply a hopeless task. It will be purely Sisyphean in its character. The sooner, therefore, the currency quacks cure themselves of this craze to boycot silver from this ancient country the better. (Hear, hear.)

But when they found that silver could not be shut out, and that exchange, in spite of the closure of the mints, went downward and downward till at one moment it almost reached 1*s.*, they thought of another panacea, equally futile. The next measure was the Gold Bill, which Sir James Westland thought would stimulate the inflow of gold. But, as the fates would have it, no sooner was this precious measure, the offspring of that great financial paragon (laughter) passed into law, than it became abortive—a dead letter on the Statute Book. It was pronounced to be an abortion from the very first. And the thing had to be quietly buried without shedding one tear over it, for not many ounces of gold were offered at the treasuries, and the bankers laughed heartily in their sleeves at that impotent attempt to prop up exchange. (Hear, hear.) Meanwhile, there intervened the troubles of the famine first, and of the pestilence later on. Expeditions, again, beyond the natural boundaries of the country, were organised on the flimsiest of flimsy pretexts. The combined influences of these events were most embarrassing to the finances. Whilst they were in the midst of these physical and economic troubles, a ray of hope was offered by two great Western States. France and the United States suggested a proposal for the re-opening of the mints under certain conditions. One of those conditions was that the ratio should be maintained at 15½. That, of course, was out of the question. But the question of the ratio alone should not have caused the contemptuous rejection of the proposal as a whole, calculated as it was to bring about some definite solution of the silver difficulty. By hook or by crook, the Indian Government had worked itself into a frame of mind which could not accept anything which went to rehabilitate silver. Gold and gold alone was determined upon as the panacea for the state of affairs which their own economic policy of years had ultimately induced. Thus, the Government gave a *non possumus* to the proposal. In my personal opinion it was an excellent one which, had it been well considered and adopted after reasonable modifications, might have by this time fairly solved our difficulties. That was another grave blunder in matters of currency. Even such an apologist of the Government of India as the *Pioneer*, pointed out the error and expostulated on its summary rejection. That it was a huge blunder was further confirmed by Lord Rothschild in his evidence the other day before the Currency Committee. (Hear, hear.) This was the third stage of the Governmental failure to induce stability in exchange.

Meanwhile the aggressive border expedition, the famine, and the pestilence combined to exhaust the cash balances. They went down considerably below the normal figure, causing severe stringency in the monetary market against which the entire Indian and Anglo-Indian community raised a cry. While this was the prevalent condition of affairs, the master mind of Sir James Westland was busy manufacturing another nostrum to relieve the country of its so-called currency embarrassments. He conceived, what he thought was a most happy and practical idea, of entirely divorcing the Rupee from the bullion, whereby the value of the former could be artificially raised beyond its intrinsic worth and at the same time the gold standard passed under the amended Coinage Act of 1893 could be forced by gradually melting down the reserve Rupees in the Treasury. That so preposterous a scheme, fraught with economic evils of greater magnitude than those wrought by the previous measure, should have at all been proposed passes comprehension! No sooner was it officially given out than it raised an emphatic protest from all quarters. There was not a single apologist of that measure to bless it. Its absurdity and mischievous effect, if passed, were seen through. It became the subject of the most hostile criticism in the press, and in the banking and the commercial circles. (Hear, hear.) But Sir James thought he was, at the close of his financial career, achieving a most wonderful miracle in currency—a miracle which would enable the Indian Government to roll in wealth in future, expunge that official and canting phrase "low exchange" from future financial statements, and assist him to retire in a blaze of glory. (Laughter.) Little did he think of the storm that would rage round that pet measure, and little did he know how much unrest and dissatisfaction the very pronouncement of it would create in all parts of the country. The divorce of the Rupee from silver has already appreciated that coin beyond its intrinsic worth. It is now valued at about 45 per cent. higher, so that practically the Rupee *is not the honest Rupee* which the Legislature has defined. Its value bears no proportion to the standard weight. It is something else. The evils of this dishonest Rupee are patent to you all and I need not dilate on them. None has better described them than Mr. David Yule at the meeting of the Calcutta Bank some weeks ago. But this is the preposterous proposal of the Finance Minister which is now the subject of investigation by that packed Committee of which Sir Henry Fowler is the Chairman. We need not anticipate the conclusions of that Committee, though it should not create any surprise if it registers the decision to which the Indian Government has already arrived. (Hear, hear.) But, I repeat, preposterous as this proposal is, and calculated as it is to create greater evils in the near future, it is the duty of this Congress to enter its emphatic protest against this latest currency nostrum as against any other panacea which may have for its object an alteration of the currency which, as I have said, is all right—a currency against which the people have never complained, a currency which in the opinion of all sound experts is the most suitable and convenient to the people of India, and every way beneficial to their material progress. (Hear, hear.)

This, ladies and gentlemen, brings me to my next point, which is the kernel of the Resolution I read to you. I have already remarked that the Indian Government has all through gone on the wrong track, that that there is nothing the matter with currency. What is wrong is *the policy* of the Government which for well-nigh a century past has gone on steadily increasing the expenditure in England on account of India. We are at present reaching almost the culminating point. The evils of the Home charges are accumulating and accumulating till at last they are about to bring the Government and the people face to face with them. It has been noisily said these last 10 years that exchange is the sole disturbing factor of Indian finances; that unless the exchange difficulty is solved there can be no relief; and that the only way to obtain relief is to alter the currency. Gold is the metal of Europe. India's external trade is principally with the gold using

countries. That, therefore, gold should be adopted. It is forgotten that after all it is not the mere external trade, chiefly in the hands of foreigners, that has to be looked to. We have to look to the larger and more extensive internal trade, so closely connected with the economic condition of the cultivator and the other producers who really are the backbone of the external trade. (Hear, hear.) Looked at from that point of view, the proposal for a gold currency falls to the ground. For consider how you may, you cannot help admitting the fact that bearing in mind the poverty of the people, and their immemorial habits and usages, gold can never become the currency. Silver alone is suitable and convenient. It is the natural currency. And therefore the natural alone should be adopted; for everything artificial and unnatural must sooner or later come to grief. The ryots and other producers have already grievously suffered by the artificiality; and it would be a graver crime than that of 26th June 1893 to propose a gold currency which nobody wants, save the selfish Services and a few interested foreigners.

Now let us examine this question of exchange which is said to be the *deus ex machinâ* of all the troubles. What is this exchange? It is simply this. That by reason of a mistaken policy the Indian Government has incurred many a State obligation in gold while collecting all its revenue in silver. That it discharges railway interest and pensions to civil and military officers in gold, and that beyond these it purchases stores and other articles in England which have to be paid for in gold. That so far these "Home charges," as the expenditure above referred to is called, are steadily growing. And with such growing expenditure exchange thereon grows apace. The sterling liabilities—a portion of which, it is notorious, are unjustly foisted on India, as was made clear before the Welby Commission, by both official and Indian unofficial witnesses,—have steadily grown from 12½ millions, which was the average of the five years ending with 1876, to 17 millions or thereabouts. And no expenditure in recent times has grown faster than the military. It is the appalling growth of the military expenditure since 1885, when owing to the revival of the external policy of aggression under Lord Dufferin there was an addition to the strength of the existing army by way of 10,000 European and 20,000 native troops, which has mainly to answer for the embarrassed finances, and next the repeated border expeditions which have entailed something like 12 crores within 12 years. (Hear, hear.)

But to come to the sterling obligations: Practically, these have increased to the extent of about 4½ millions, while silver is depreciating in its gold value since 1873. It has often been proclaimed from the platform of the Finance Minister in Calcutta that every million charge of sterling correspondingly entails a greater loss in exchange. That every fall of a penny adds over a crore to the burden of that item. If this be the economic fact, was it wise on the part of the Government of India to have gone on adding to its sterling obligations from time to time, while silver, measured by the value of gold, was steadily declining? Common sense would have suggested one of three alternatives: Either a cessation of borrowing in sterling, or no borrowing at all, or borrowing in silver. But, as a matter of fact, they have been burning candles at both ends. At one end they are, under one pretext or other, increasing their sterling obligations, entailing heavier "loss by exchange," so called; while at the other they are incurring heavier expenditure on account of border warfare, generally unprovoked and uncalled for. Is it possible that a country situated as India is, under a foreign domination which drains away a greater portion of its annual surplus of wealth, can withstand that burden yearly growing heavier? (Hear, hear.) But this is the situation. The cry that so many crores of rupees have now to be annually paid as the equivalent of the sterling liabilities in a depreciated silver currency would never have been heard were it not for the policy which has entailed those obligations. Diminish these, and *pro tanto* so many less number of Rupees will have to be paid for the equivalent, which is the same thing as bringing greater relief to the Treasury. The cry, I repeat, must cease with the greater diminution in the home charges. But it should not be forgotten here that all these home charges are paid *in produce*. Therefore it has come to pass that, with the increased burden of exchange, the producers of produce have to part with larger quantities which, however, have not brought to them any corresponding gain in their money value. The economic effect of these charges is that prices of the staple articles of exports have been lower. At any rate, the ryot has parted with his larger produce at or about the same price that he did 20 years ago with a less quantity. We are nowadays hearing too much of this cant of larger exports. But a little study of the question will at once tell you that these larger exports, for a debtor country like India, mean nothing short of larger sacrifices of the national wealth. (Hear, hear.) And while such is the condition of the producers, they have artificially raised the value of the Rupee, which, it is superfluous to say, adds not a little to their burden. Whether there is any corresponding gain is problematical. Yet this important question has hardly been investigated by the Currency Committee.

To return to the home charges. Those having reference to the military expenditure are very considerable indeed. Many of these charges have been protested against. I am quite convinced that, if the burden on account of military expenditure alone was reduced, a material relief would be afforded, and India would be able to pay its way without the wail of exchange. This military expenditure, as I have often observed on the Congress platform and elsewhere, is the consequence of the policy of external aggression pursued by the English Government since the acquisition of Quetta in 1876 and the date of the second Afghan War. It is with a view to maintaining its supremacy in the East that England has, as the predominant partner in the matter of Army expenditure, under the fatal amalgamation scheme of 1859, imposed most inequitable burdens on India. These burdens have been inveighed against, not only by this Congress and by the country at large, but by the Government of India itself, in more than one public despatch. They were recounted before the Welby Commission. One of the latest despatches submitted to that body observed as follows:—"Millions of money "have been spent on increasing the Army in India, "on armaments and fortifications, to provide for the "security of India, not against domestic enemies, or "to prevent the incursions of the warlike people of "adjoining countries, but to maintain the supremacy "of British power in the East. The scope of all these "great and costly measures reaches far beyond Indian "limits, and the policy which dictates them is an "Imperial policy. We claim, therefore, that, in the "maintenance of British forces in this country, a just "and even liberal view should be taken of the charges "which should be legitimately made against Indian "revenues." (Hear, hear.)

It will be thus seen that part of the sterling obligations are unjustly foisted upon India; while part are increased, regardless of India's ability, and regardless of the economic conditions of the people. It is the combined pressure of these two burdens which have now proved too heavy to be borne; and that the so-called "loss by exchange" is the tangible manifestation thereof. If, owing to this exchange, the Indian Government now cries aloud for an alteration in the currency, is it not strange for it to ignore the very root and origin of that exchange? And, if the root can be eradicated, where may be the necessity of change in the currency? But it is most astonishing to observe that the Indian Government should beat about the bush, and attribute to silver all the faults which should properly be attributed to the *policy* which for years past is augmenting the sterling liabilities, of which the most inequitable and oppressive is the military expenditure. Again, to me it is most astonishing that not a single official or non-official witness has submitted to the Currency Committee this aspect of the present situation. Perhaps the only non-official witness who had a perception of it was Sir Forbes Adam, a gentleman of great Liberalism, than whom very few understand the real Indian view of this currency question. (Cheers.) His is a name to be conjured with. But even Sir Forbes was not able to bring clearly to the notice of the Committee this aspect of the currency to which I am now referring. The question was asked, if the currency was to remain undisturbed, how was the heavier loss by exchange, with the greater decline in the gold value of silver, to be met? To that it is a matter of regret no definite reply was made. Curtailment of home charges, specially military, should have been the answer. It is true that nearly one-third of these are on account of interest on guaranteed and State railways. But there has been a culpable neglect in this particular liability. It was years ago—I think

somewhere about 20 years since — that Sir John Strachey, as Finance Minister, recommended that the railway liabilities should be commuted into silver. Had that been adopted, the Indian Government might not have been in the sorry plight that it is to-day, and might not have thought of tinkering or tampering with the currency. But that recommendation was pigeon-holed by the India Office, vested interests being too powerful. As the time, however, for the purchase of the two remaining guaranteed railways is now very imminent, there is nothing to prevent the India Office from buying these companies off, and issuing the necessary debentures for their purchase in silver, say, at an annual interest of 3½ or 4 per cent., payable in silver; it would be a fixed and certain liability. The relief which might be given to India by this one transaction alone would more than compensate for all the evils the country has suffered in the past. I admit that vested interests will do their best to resist the suggested commutation. But, if there be sufficient moral courage and statesmanship at the India Office, the difficulties could be easily overcome. As to the interest on the sterling loans, which now average about 2½ millions, nothing need be said. The amount of interest is not so burdensome as the home charges of the military department, which in recent years has mounted up to 3¾ millions. In fact, Ladies and Gentlemen, you will perceive from the figures I am just going to quote, that, next to the interest on State and guaranteed railways, the heaviest burden of sterling obligations is on account of the Army services in England. In 1896–97 the various obligations stood as under:—

Railway interest - - -	5·80
Military charges - -	3·68
Interest on gold loans - -	2·67
Civil charges - - -	2·28

The balance is made up of miscellaneous items. It will be thus seen that, were there a curtailment of the military charges incurred at home, and were there a fair and reasonable commutation of railway interest into silver, the difficulties of the Indian Government would at once be solved. Where there is a will there is a way. But so long as no effort is made on behalf of the Indian people, and so long as the vested interests are deliberately pampered and nursed, there can be no hope of any financial salvation. Not even a gold currency may mitigate the growing burdens.

But I shall now specifically refer to these military charges which demand 3¾ million, and over, of sterling remittances per year. In my supplementary evidence, in connexion with the Welby Commission, I observed that the whole burden of exchange entailed on the Indian finances during the 10 years ending 1895–96 was 43 crores of rupees, or, say, 4·3 crores per year. Of this, as much as 27 crores, or 63 per cent., was on account of military expenditure alone. This heavy sum might have been considerably less but for the fact of the addition made to the army in India in 1885. Had the strength of the army been maintained at the figure it was prior to that year, I estimated that the military exchange would have come to 12·85 crores in the decade. Practically, then, the increased exchange which India had to pay in the 10 years for the increased army services came to 14·52 crores in 10 years. Now, I would for a moment endeavour to fix your attention to the net burden of new and enhanced taxation during the same period. In his rebutting evidence, given before the Commission on 21st July 1897, the late Mr. Jacob, whose premature death I and my other friends who were witnesses greatly deplore, and whose courtesy we all greatly appreciate, stated that taxation amounted to 22·31 crores. To this has to be added, as I pointed out, suspended famine grants and unrefunded provincial balances, amounting to 5·41 crores. The total comes to 27·72 crores. Now, according to Mr. Jacob's own figures, the increased cost on account of the increased troops amounted to 33·94 crores in 10 years, *without exchange*. With exchange it came to 48·46 crores. Had there been no additional troops, all this sum might have been saved, against which as much as 27·72 crores of new taxation, &c., had to be raised. In fact, while 48·46 crores might have been saved, the net expenditure on exchange, as just stated, would have been no more than 28·75 crores. Practically, the result would have been a surplus of about 20 crores in the decade, despite the fact that civil charges had also greatly increased, but some of which being of a reproductive character, much complaint against their growth need not be made.

From the above facts it would be clear to you that India has in no way suffered on account of exchange, because exchange would have been fairly met from the revenues, without even a pie of taxation, had it not been principally for the additional military expenditure. Is it impossible to curtail the strength of the army and bring it back to the number at which it stood in 1885? It would save the Treasury about 3·89 crores without exchange or 5·34 with exchange. This, again, brings us to the practical part of the currency problem. I answer the question which the Committee put to some of the witnesses, including Sir Forbes Adam. The Committee inquired of these witnesses how they would meet the extra charges which might have to be paid in case exchange went below one shilling, were the mints reopened. I say that these charges could be easily met by the curtailment of the military expenditure which now entails, per annum, a charge of 2·73 crores for exchange. If the army was reduced there would be a saving to the extent of 1·45 crores in exchange alone. The charges for army services proper would, besides, be less by at least 3 crores. Then, if England only contributes her fair share towards the cost of maintaining her supremacy, there would be a still further saving. Of late, we have heard that the Welby Commission may propose such a share, amounting to 1½ crore of rupees. But this is still a matter in the clouds till we know what the belated report of the Commission actually recommends. (Hear, hear.) Even then there is the British Treasury to deal with—a very tough and powerful obstruction. But the savings which I have just referred to should easily suffice to meet the extra demand for greater loss by exchange which has long been held out as a bugbear before the ignorant public. On my part, I do not think that, were the mints re-opened to free coinage, under proper safeguards and limitations, that the Government would find any difficulty whatever in meeting the apprehended greater loss, without a pie of fresh taxation. (Hear, hear.) Aye, not even if exchange went as low as 10*d*. But the fact nevertheless remains that it is the home charges which are at the root of the difficulty. Consequently the agitation should proceed, not for the reform of the currency, which has nothing the matter with it, but for the policy on the lines I have indicated. This practically means that the British Government should modify its present policy which regulates all expenditure. The economic evils of carrying on the administration by a costly foreign agency are entirely owing to the present mistaken policy. It is against this policy that Mr. Dadabhai Naoroji has been inveighing these many years. India is being bled to an extent unparallelled in the administration of any country in the world, ancient or modern. If the British Indian Administration is unparallelled itself, its bleeding of India, too, is unique. Cease that bleeding and India will revive. It will be soon in a position to accumulate the surplus wealth which is now drained to England, and have enough capital of its own to develop its material resources with great advantage both to England and India. As Mr. Dadabhai Naoroji truly observed at the meeting in Lancashire last month, the more India grows rich the more it will be in a position to extend its trade in Lancashire goods. Instead of its whole trade with the United Kingdom coming to only 2*s*. per head it would come to 20*s*. But the bleeding must cease before that happy event could be realised. It can only cease when the policy of the costly employment of the foreign agency, in all its ramifications, administrative and commercial, is reversed. The exchange difficulty, now so absurdly found fault with, will cease to exist. India would breathe freely. The currency will operate automatically as it has hitherto done, and both the State and the people will be prosperous. At present, not only are the people but their industries and manufactures throttled, and under a mistaken conception they are going to throttle them further by their insensate currency proposals.

It is to be devoutly wished that the Currency Committee will take evidence on all the points I have just referred to. The mass of evidence recorded up to date reveals absolutely nothing. And no one seems to have touched on these points, which alone, in my opinion, are most relevant to a correct diagnosis of the present complaint. Some witnesses have indirectly referred to the points, specially Sir Forbes Adam, with his unique experience of the Indian people and the Indian economic question. I for one must admit that I am altogether disappointed with the whole evidence. It is mostly official or officialised. The independent evidence, if at all, is on the side of those who are for the re-opening of

the mints, though, in interested quarters, we have off and on been told, there is the strong belief that it is beyond all hope. That remains to be seen. Lord Rothschild believed in extended exports first and extended railways afterwards. But when may we expect extended exports? Not while the exchange compels, under the present unnatural policy, the producers to part with their produce at low prices. Not while India continues to be a debtor country. The exports would be beneficial to India only when the unnatural economic condition ceases. It is therefore to be earnestly hoped that evidence of competent representative Indians will be taken by the Currency Committee in order to arrive at a correct understanding of the economic situation, and be able to advise the Secretary of State as to which is the right and proper remedy to be adopted in the matter. (Hear, hear.)

If then, I repeat, the military expenditure was curtailed and brought down to the figures at which it stood in the time of Lord Northbrook and Lord Ripon, then I say with confidence, and without the least hesitation, that the entire financial situation would be materially altered for the better. India might pay its way without adding a pie to the existing taxation. Again, if the fire-works which are incessantly being let off at a heavy expenditure, which has averaged over one crore during the last 12 years, beyond the statutory limits of the country, are put a peremptory stop to, and if the many domestic reforms that have been hung up for many years past, as our friend Mr. Surrendranath Bannerji observed yesterday, were taken on hand, India would really be in a condition of progress. And I may here take the opportunity to remind you, Ladies and Gentlemen, that the Herschell Committee had strongly recommended curtailment of expenditure as a first step before taking any action whatever with regard to the closure of the mints. So that, in recommending curtailment of expenditure, I am not recommending anything new. This curtailment can only follow a change in the present policy, which is erroneous. When the policy is put on a sound and natural basis the aspect of expenditure will also be changed, and changed for the better. The whole question therefore to be determined is not currency, but *policy*. We must agitate from year to year until the present policy undergoes a material modification. We must agitate till we drive home the truth so clear to us, that the unnatural system of administration is at the root of the financial difficulties and not currency. We should leave no stone unturned to bring the authorities to discern this aspect of the question, if indeed they are not already aware of it. During the 14 years that the Congress has successfully held its annual session, I have found that on almost all the burning questions of the day, the original views held by it, though at first ridiculed and discredited, have at last come to be recognised and acted upon. That experience tells me that in this matter also the position which the Congress will take up in the spirit of the resolution I have moved will eventually be proved to be absolutely sound. This is my firm conviction, and on the strength of that conviction I now commend the resolution to your judgment. (Applause.)

No. 28.

Memorandum by Mr. W. Martin Wood.

The Committee have already had put before it such a mass of statements and opinions regarding currency and exchange that it would seem superfluous to attempt to add to that portion of material. On the other hand comparatively little consideration seems to have, as yet, been given, in the course of examination, bearing on the monetary financial relations between India with the United Kingdom, which really lie at the root of the whole matter. In the tables and statements presented by the two delegates of the Indian Finance Department ample statistics as bases for such consideration are on record. Whether these comprise all the information that would elucidate the history of the large subject in its bearing on the present situation, the present writer is not aware; but Mr. O'Conor could easily supplement the material of that kind if desired. If the direct causes of the present perplexing situation can be traced in their proper sequence it is reasonable to expect that such analysis would indicate the only true and safe way out of the anomalies and paradoxical position in which Indian currency and trade financial affairs have drifted.

2. It appears eminently desirable, for instance, that the attention of the Committee should, without further delay, be drawn to the actual history of the subject in order that the present results of that sequence of events may be rightly estimated, before any practical conclusions are adopted or any definitive measures are determined upon. At some points of that history, during the last 35 years of India's financial and currency movements, it necessarily touches on some of the outside, and, for this purpose, superficial events connected with gold and silver production or the corresponding changes in other nations' currency regulations; but it will be desirable to keep separate, as far as may be, these inside and outside divisions of the problem.

3. The Committee might do well to consider the remarkable contrast presented by the circumstances in which India found itself in 1863–66 and these of the present day. At that period and in consequence of the large increase in gold production, beginning in the fifties, gold was becoming plentiful as compared with the production and then use of silver as currency. Many Anglo-Indian authorities at that time feared that the supply of silver might become stinted and India would thereby become subject to fall in prices and the serious inconveniences that always result from rapidly restricted currency. Therefore many persons—foremost amongst whom as a member of the Supreme Executive Council was the then Sir William Mansfield—thought it desirable to seize the opportunity, then apparently feasible to adopt a gold standard, and introduce that metal into the currency; though it was intended to retain silver as the chief material of circulation, and also to extend the use of currency notes There were also proposals, at that time, to attract gold into circulation as legal tender (not as standard) subject to periodical readjustments, while retaining the silver standard tola rupee. Should the present Committee find itself compelled to fall back upon tentative expedients, such proposals may still he worth examination subject to the altered conditions of the present time But this is only an incidental remark by the way.

4. When the Committee comes to consider the financial practicability of establishing a gold standard for India, with or without any appreciable use of the metal in the currency, the contrast between the comparative ease with which that course could have been taken in 1863–66, and the enormous difficulties in the way of such a course at the present day, may induce the Committee to pause. They might, on facing those financial obstacles, come to recognise them as so formidable as to lead them to perceive that it may be wiser to revert to the natural position before 1893, than to persevere with artificial wrenching processes entered on then, and as now proposed to be extended. If the factor seen on the surface, "loss by exchange," is urged as forbidding such reversion for India to the silver standard and automatic coinage, the Committee may be asked to suspend their judgment until, in a later passage in this Memorandum, the one obvious method of largely mitigating that political financial "loss" shall be explained.

5. Now let us look at the contrast presented between the monetary metallic situation in 1863–66, and what obtains at present. The relative market position of gold and silver would then be about 15.35 to 1: now it is say 30 to 1; but the Committee have before them evidence as to this to the utmost fraction. *See also* Mr. Barr Robertson's paper with its tables.—Society of Arts Journal, No. 2,098, February 3, 1893. In comparing that essential contrast, indication is afforded of the almost incalculable cost that will be involved in now adopting a gold standard for India, to say little as to drawing that metal into the currency. Even in the former period, it was seen that a few millions would have to be found for starting the moderate plan described above (paragraph 3). It was thought that five or six millions would, at least, be required. Later, in 1893, it was thought that 30 millions would be needed to carry through the more complete gold standard scheme which only then began to be entertained. But what figure can indicate the cost, however it may be met, and the sacrifices, however they may be endured, before the full levelling up of India to a gold standard and currency can be accomplished? The Committee have within its reach abstruse calculations, as well as many haphazard and pre-conceived speculations to choose from in forming any tangible estimate of the present and ultimate cost of carrying through this immense monetary wrench. It may safely be assumed

that 50 millions sterling is a moderate estimate of the cost of this enormous operation in the circumstances of India.* Any estimates founded on corresponding monetary changes amidst the highly organised credit facilities of the western world are manifestly inapplicable to the present problem. While as to which fiscal system and which constituency is to sustain that cost, is quite another question that must not be ignored.

II.

6. Now let us revert to the history of the causes that have resulted in the present situation. The next landing-stage was reached in the circumstances investigated by Mr. Goschen's Silver Committee which reported in 1876. That Report greatly dissipated the popular misconception that the fall in the gold price of silver was wholly due to the demonetisation of silver by Germany and the subsequent withdrawal of France from the Latin monetary union. It was demonstrated in that Report that the influence of the Secretary of State's drafts on the Indian treasuries is far more weighty and persistent in keeping down the market price of silver (and in adding to the Government of India "loss by exchange") than all other causes then prevailing. It was pointed out in the Report that "the "supply of a different kind of remittance, namely, "Government bills, has *superseded* to a large extent the "necessity of remitting bullion . . . It will be seen that "though the total amount of treasure and Bills remitted "to India during the last four years 1872–76 has but "slightly declined, the proportion between the two has "been *entirely reversed*." And a table is given showing that, whereas in the period of 1868–69 to 1871–72 the average annual import of treasure into India was 10,000,000*l.* and Council Bills 7,000,000*l.* in the period from 1872–73 to 1875–76, the average had been respectively 4,100,000*l.* and 12,000,000*l.* In the year 1875–76 the figures were—treasure, 3,100,000*l.*, and Bills, 12,000,000*l.* It was added: "Whatever the "effects of reduction in silver imports may be, they are "simply to be accounted for by the large amount of Bills "on India which the Indian Government (that is, Secre-"tary of State) has now to sell." It may be noted that in the six years ending 1881–82 the net imports of treasure into India were rather over 53 millions, and Council Bills were 84 millions. These six years included 1877–78 when imports of treasure were exceptionally large (over 15 millions), because of famine demands and sterling loans taken up. It may also be stated that in the 10 years ending 1891 (in which year import was very large), the net imports of treasure into India were Rx. 129¾ millions, and Council Bills drawn, Rx. 198 millions. In the three years 1894–97, the treasure imported was rather over Rx. 18½ millions, but the payments for Bills drawn to defray Home Charges amounted to over Rx. 86 millions. But the Committee have before it all the figures that exhibit the competition between imports of treasure and India Office Drafts, notably so in Sir David Barbour's tables of 1885, which also show the immense addition to the Home Charges Drafts since 1872—one of the great facts that the Committee has to deal with.

7. Here, in passing, as explaining the proximate cause of increase in the volume of Drafts from an average of about six millions in the three years ending 1871 to the 10 millions in 1872, and 14 the following year, this was due to the diminution, and almost cessation, of payments into the India Office of the sterling capital raised by the great guaranteed railway companies. Whilst that lasted the drawings were abated to that extent. Similar temporary effect is induced when new sterling loans on public account are taken up in this country. But these differences are only on the surface. Behind and beneath these superficial adjustments, the charges drawn from India and disbursed in the United Kingdom remains the one constant fact that has to be kept in view all through. These direct charges which up to nearly 1860 scarcely averaged three millions per annum, are now six times that amount; and this constitutes the great change in circumstances which underlies the questions the Committee has to consider.

8. To revert to the course of evidence showing that the largest and most persistent disturbance of the ratio between gold and silver, with the consequent monetary and commercial disturbance of the financial relations between our great dependency and this the mother country, reference may be suitably made to the remarkable treatise by Mr. R. H. Hollingbery, the Assistant Secretary in the Finance Department of the Government of India, a similar position to that now occupied by Mr. J. E. O'Conor. That work was compiled before the appointment of Mr. Goschen's Silver Committee, and its conclusions as bearing on the monetary financial position were, of course, worked out independently. Our concern with Mr. Hollingbery's conclusions lies apart from his exhaustive exposition of the statistics relating to the production with relative values of gold and silver, from the earliest to the latest period, and to the distribution of the precious metals amongst the various nations of the world.

9. That portion of this invaluable essay explaining the large subject with which the Committee has now to deal—under the greatly enhanced and accumulated difficulties of the present day—is comprised in Mr. Hollingbery's paragraphs 242–70 taken with paragraph 275–76, in which latter the whole statistical argument is concisely summarised. In entering on this exposition he founds himself on the concluding passage of J. S. Mill's chapter on "The Distribution of the Precious Metals" (section 4), in which is demonstrated the effect on prices and return to the producers that follows from "the existence of inter-"national payments not originating in commerce and for "which no equivalent in either money or commodities "is expected or received." As that eminent authority shows, "the result is that the country (as in the case "of India) which makes regular (obligatory and un-"balanced) payments to foreign countries (as to the "United Kingdom) besides losing what it pays, loses "also something more by the less advantageous terms "on which it is forced to exchange its productions for "foreign commodities, and . . . . . the result "to the interest of the two countries will be . . . "... the paying country (*i.e.* India) will give a "higher price for all that it buys from the receiving "country, while the latter (*i.e.* England) besides "receiving the tribute, obtains the exportable produce "of the tributary country (India) at a lower price." Mr. Hollingbery proceeds to apply this principle, in clear easy expression, to the actual circumstances of India, and includes the important remark that the adverse or "reduced price at which they (exports in "direct payment of Home charges) are offered affects "also the exports which are exchanged for imported "goods. Thus the gold price of Indian productions "must fall (*i.e.* be continuously under-valued) and with "them must fall the price of silver."* It should be mentioned that in Mr. Walter Bagehot's Essay on the Silver Question (1878), the economic effects on prices and products of non-commercial obligatory payments by a dependency were similarly explained in somewhat more popular form.

10. Now then we come upon the centre or crux of the problem that has to be faced, the very heart of the subject which the Committee has to consider. Compared with this central and permanent aspect of the matter, debates regarding different forms of currency or exchange fluctuations are beside the mark; or, at best, only deal with temporary or superficial circumstances. And, it must be remembered, that all the essential factors described 20 years ago as being adverse to India are now pressing on that country and its peoples with, say, five times additional weight; while certain of the proposals now influentially advocated, involving on one hand increased cost of its circulating medium and on the other restriction of its currency, would add incalculably to that pressure and burden.

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* Mr. H. Dunning MacLeod has recently drawn attention to the Government of India's Notification of December, 1852, by which gold, *i.e.*, mohurs of 16 and of 15 rupees, was demonetised in India. He states that "by this astounding *coup de finance*, "utterly without precedence in the history of the world, it was "estimated that 120,000,000*l.* of gold coin at once disappeared "from circulation and was hoarded away." As to what this estimate was founded upon does not appear; but Mr. MacLeod must be under much misconception as to India having then "an immense gold currency in circulation"; and this, apart from the estimate of amount, is the only practical consideration. That gold mohurs were spoken of in accounts and charges until a later date we all know. But there is no proof, that I am aware of, that gold formed any appreciable portion of the actual circulation.

* Appendix I., pp. 64–5.

III.

The Way Out.

11. This is simple and obvious; though difficult because of political obstacles and financial requirements. It has been shown that the present crisis as between India and England, including the "loss by exchange," has arisen from the ever increasing pressure, dating from 1872–73, of the demands on India for expenditure in England, in popular phrase the Home charges. Thus the obvious remedy is the reduction of these demands, or the finding of some appreciable set off against them. If the drafts on India were reduced by one-half the true exchange value of the rupee would speedily rise, not only to 16*d.*, but probably 18*d.* or higher. Even if only one-third of the drafts were cut off, probably some such measure of equation would be reached. And with such adjustment, incalculable relief would be gained if the automatic currency were restored; or, in the alternative, if the Government of India, taking direct control of coinage, were to freely replenish the now rapidly exhausting volume of currency. The market price of silver would also respond to that change. This proposition derives support from the facts recorded above as to the history that has led up to the present situation.

12. This is no new proposal. More than 40 years ago it was described thoroughly and with due discrimination by Sir George Wingate, R.E., and it has since been supported by competent authorities. Wingate's essay is very scarce, but a copy should be in the India Office library. The essential portion for the present purpose is set out in Part 1, Vol. XX. of the East India Association Journal, 1883, pp. 28–30. (*See* Appendix II., p. 65.) Wingate's statement of the equitable demand that the British Treasury should sustain a considerable portion of the annual cost of maintaining that sway over the Indian Empire which results in incalculable profit and prestige to this country, is so lucid and convincing that the Committee cannot well afford to pass by this argument, which goes to the very core of the whole subject. It shows the natural way out of the otherwise insoluble problem before them. It is independent of, and superior to all outside circumstances, and apart from the artificial difficulties which have accumulated in attempts to evade the true remedy for India's now hapless monetary and financial condition.

13. This general principle that it is unjust for India to have to pay for every outlay that can be brought into her expenditure accounts—even when large portions of that outlay has been avowedly for Imperial purposes—has been affirmed by public men of all parties on various special occasions. That principle was acknowledged and freely acted upon when it was sought to charge India with the chief cost of the 1868 expedition in Abyssinia. This was successfully resisted by Henry Fawcett, and the late Earl of Derby (then Lord Stanley) frankly admitted that such charge would be unjust. Again this principle was affirmed in the case of the Afghan War of 1878–80. On that occasion Mr. Fawcett moved this amendment in the Address:—

> "But humbly desire to express our regret that in view of the declarations that have been made by your Majesty's ministers that the war in Afghanistan was undertaken for Imperial purposes, no assurance has been given that the cost incurred in consequence of the renewal of hostilities in that country will not be wholly defrayed out of the revenues of India."

Eventually, the principle was adopted, in so far that one-fifth of the cost of that Imperial and British Cabinet's war was refunded to India with consequent saving by avoidance of loss by exchange on that amount, viz., 5,000,000*l.* As bearing on the permanent and continuous fact that the Home charges represent the cost that India directly pays for that maintenance of our power over that Empire, it is well to cite the remarkable declaration by Mr. Gladstone, implying cogent and continuous application to this claim that India ought not to bear the burden alone. He said on that occasion:—

> "As regards the substance of the motion, I cordially embrace the doctrine of my honourable friend the member for Hackney. There is not a constituency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force, which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India."

At a later period (May 1893), the Earl of Northbrook brought this equitable financial claim before his peers. One passage in his speech being retrospective and comprehensive covering scores of millions of really joint charges all forced on India, may be quoted here:—

> "The whole of the ordinary expenses of the Abyssinian expedition were paid by India. Only extraordinary expenses being paid by the Home Government, the argument used being that India would have to pay her troops in the ordinary way, and she ought not to seek to make a profit out of the affair. But how did the Home Government treat the Indian Government when troops were sent out during the mutiny? Did they say, 'We do not want to make any profit out of this?' Not a bit of it. Every single man sent out was paid for by India during the whole time, though only temporary use was made of them, including the cost of their drilling and training as recruits until they were sent out. Surely in justice the same principle should be applied both ways."

As one moderate application of the principle of equity his Lordship made this practical suggestion, thus: "As to four millions increase in the non-effective "charges in 14 years up to 1884, I think half that "should be borne by the Imperial Exchequer. It "should take over two millions." In the budget for the current year that head of the Home charges figures for Rx. 6,700,300. It affords a striking illustration of the monetary-currency bearing of this factor and the joint account, that were only that head of charge to be sustained by the British Treasury the saving in cost of exchange would be Rx. 1,405,200. The Committee can readily estimate what percentage this diminution would save or add to the exchange value of the rupee. On the occasion above referred to, the Earl of Kimberley in his apologetic reply as Secretary of State for India remarked, *inter alia*, "Pressure is brought to bear for "some change in our (Home Army) system, and the "expense of our (Indian) Army is accordingly increased. "The War Office yielded to the pressure and the India "Office finds itself saddled with additional charges in "respect of which it has really had no voice . . . . "The consequence is we have charges put upon us in "connection with India which are both unjust and "unnecessary." At a later period of that Session (July 31) the Duke of Argyll reverted to the subject under his sense of responsibility as a former Secretary of India, with reference to these exchange and finance difficulties which, as he said, "arise to a large extent "from the Home charges made against the Indian "revenues by the Home Government here." After explaining how charges strictly pertaining to this United Kingdom are sought to be thrust on the dependent country by the spending departments here. His Grace said, "this meant that India was called upon "to pay a tribute to the country;" later on, he added, "he certainly thought that the people of India ought "not to be called upon to pay anything in the nature "of a tribute or more than the actual cost of our troops "when employed in India, which was the old legal "and constitutional principle. He thought that the "balance of benefit was enormously against India and "in favour of England." The trend of His Grace's arguments all through that speech is that the perdurable and inevitable financial and monetary effect of these abuses and exactions are above and beyond any currency disturbances or monetary contrivances real or artificial —which is the contention of this memorandum. It might be well for the Committee to have before them the letter from the India Office (dated August 9th, 1872) for which the Duke then moved, also the two other documents (of 1874 and 1876) which the Earl of Northbrook moved for on the same occasion. In closing these references to financial claims on India's behalf which, if fairly met, would go far to cover the Committee's mandate, it may be well to remind its members of

the remarkable consensus of opinion that obtained amongst public men of all parties in the earlier part of this year (1898), on behalf of making an imperial grant in relief of India's severe financial and monetary difficulties caused by the (Imperial) War beyond her borders, by famine and pestilence. These recommendations, though mainly proceeding on grounds of compassion rather than of international justice—which is the true and abiding consideration—were creditable to those who thus gave expression to the better side of the British character. That gleam of political equity and true financial insight was afterwards obscured by short-sighted pleas and evasive excuses; but the Committee is in a position to perceive what a large practical influence such grant would have had on the finance of the current year, and by illustration, on the present unsolved monetary and exchange difficulties of India.

14. Here to revert to the technical side of questions raised in course of the Committee's proceedings it may be pointed out (as in paragraph 5 above) that the monetary and trading conditions of India are essentially different from those of the Western world. Here, questions of currency have only indirect relations to the money-market and commercial finance. There, those two branches of monetary affairs are almost inseparable—or, were so, until the violent wrench forced on them when the measure of June 1893 began to operate. Much of the evidence placed before your Committee will show this. And the statements recently made by an experienced Calcutta merchant, Mr. David Yule, are very timely in the way of explaining the intimate connection in India, hitherto, between currency and trading funds. Alluding to the recent cry of lack of loanable capital—as to which the ever expanding need was being fairly met until stopped by closing of the mints—he points out that so long as silver bars or ornaments were convertible into rupees those reserves supplied and invited funds into the interior; and he describes how this ready convertibility gave confidence to the thrifty portion of the population, also facilities for the money-lenders. But since these funds in the shape of rupees were made by the Act of the State into "dead metal difficult of sale," there has been, as Mr. Yule computes, "a loss of loanable capital to the extent of 150 crores of rupees." Whatever may be the opinion as to this amount, he goes on to point out that the effect of depriving them of the use of their savings has been to drive them (the people) into the clutches of the money-lenders. In turn, these retail bankers have "become anxious about their outstandings," and are "refusing to make advances to pay for seed and cattle." The first effect of this was to drive the village banker's spare funds into the presiding towns—not for trade purposes, but to be invested for safety, in gold or silver bullion, the trade use being thus lost to the country. And Mr. Yule considers that this lack of convertible currency is driving trade in the interim into a state of barter, which "is a menace to the export as well as the import trade of India." Here we have a demonstration of the inseparable connection in India between currency and loanable trade funds. Mr. Yule is of opinion that further contraction of the currency as proposed, will "carry with it ruin and disaster to all concerned." Alluding to the comparatively prosperous state of trade in the period of fifteen years up to 1893—owing mainly to cheap silver currency and the frequent diminution of Council drafts—this experienced Indian merchant expresses his conviction that "the country was ripe for a very heavy *increase* in her currency." This expression of opinion by a local authority, who knows the monetary condition of the interior as well as that of the presidency towns, ought, it seems to me, to be well weighed by the Committee in view of the policy of contraction of currency and denudation of trade funds that now obtains, and which it is gravely proposed to carry out to the bitter end of an artificially created "stable exchange." With regard to the present superficial remedy for the monetary and financial difficulties of the Indian Government much that has been written above suggests obvious reply. It is claimed that by closing of the mints and forcing up the gold value of the rupee a sum of nine million sterling in cost of exchange has been saved to India. It would be difficult to find a more striking illustration of the tenacious economic fallacy in failing to distinguish between "What is Seen and what is Not Seen." Granted that the nine millions have helped to balance budgets; but, whence comes it? The witness who cited that figure lightly remarked, "it has been practically an indirect tax on the people." So that it has really been got into the budget by a sacrifice or loss to the people of India. And it cannot represent the whole loss imposed thereby on production and trade profits. The heavy discounts that had to be paid on trade bills a few months ago in India afford some indication of the *unseen* loss, in the light of such explanations as that by Mr. Yule, as also by some witnesses before the Committee, that nine millions "saved" must represent a far heavier sacrifice to a country backward in all the mechanical appliances of civilisation, and without the automatic facilities derived from the credit systems in Western countries. As certain as that water under pressure will find its level, so surely must any artificial currency or exchange gains that can be devised, result in real sacrifices by, and incalculable burdens on, the community. Hence the deep responsibility on the Committee to consider well that which is the crux of these instructions—to report upon "the monetary "system now (*i.e.*, before 1893) in force in India "and the probable effect of any proposed changes "upon the internal trade and taxation of that "country."

15. Briefly to summarise the contents of this Memorandum:—

(*a.*) The contrast as regards the relative value of gold and silver at the present time, and that in 1863-65, indicates the extent of the financial difficulty that has to be faced in the proposal now to establish a gold standard for India.;

(*b.*) The preponderating cause of the divergence between gold and silver and the consequent "loss by exchange" is due, as shown by Mr. Goschen's Committee of 1876, and by Mr. Hollingbery, to the large increase in the demands on India for expenditure in England—which, up to 1872, had been disguised by payments here of railway capital; and, since then, intermittently, by taking up of sterling loans—debt growing meanwhile.

(*c.*) That these unbalanced withdrawals of revenues and resources constitute the predominating adverse factor in India's monetary, commercial, and industrial condition; and, besides being a direct unrequited outlay, forces India to exchange its products for the foreign commodities it receives on less advantageous terms (J. S. Mill, &c.) than such as are obtainable under normal conditions of international commerce.

(*d.*) That any artificial device for evading "loss by exchange," either by forcibly changing the material of currency (regardless of cost) or contracting the internal currency, must add to the pressure on India's monetary resources and to her trading disadvantages: the only real relief, and sole safe means of restoring India's trading energies and industrial efficiency, is to be found in the master country agreeing to sustain its equitable share of those disbursements here which represent the net cost to, and sacrifice by India for maintenance of our sway over that Empire.

(*e.*) That the principle of this equitable policy has been affirmed by competent authorities and various British statesmen; also that the demonstrable economic results of its practical application, while relieving the Indian people from monetary pressure too grievous to be borne, would largely increase profitable commerce with that country and strengthen its political and financial relations with the United Kingdom.

W. Martin Wood.

September 8th, 1898.

Appendix I. to No. 28.

From Mr. Hollingbery's Treatise.

. . . . . the Home Government's bills of each year, prevent, for that year, the importation into India of a corresponding amount of bullion.

244. The importation of bullion into India does, indeed, depend on the excess of her total exports over her total imports, and on the portion of that balance which cannot be settled by bills; but—especially in the present question of prices—it is necessary to distinguish, as the extract from Mr. Mill suggests, between the two portions of those exports which make up the gross balance of trade "in favour of India," and also enter into the net balance that has to be settled by an import of treasure.

245. The exports from India consist of:—

(*a.*) The exports which are exchanged against imports of merchandise. If India did not incur a large amount of Home charges, her exports would increase, generally or chiefly, from a demand abroad for them, in which case they would go forward at a higher gold price abroad, as well as in increased quantities, causing (if not counteracted by an increase of imported goods) an increased import of silver which would raise the price of silver abroad. In other words, an increase of exports from India, if not arising from the Home charges, will generally imply an increased gold price of Indian productions and an increased price of silver abroad, or in, say, London, the world's market. This was the case during the cotton famine.

(*b.*) The exports which India has to send forward to Europe to provide for the Home charges. As pointed out by Mr. Mill, these exports not being required in exchange for goods must be offered at reduced prices abroad, so as to create an increased consumption of them. But, necessarily, the exports which go to England for the Home charges (in the place of silver from India) are not earmarked, and the reduced price at which they are offered affects also the exports which are exchanged for imported goods. Thus the gold price of Indian productions abroad must fall, and with them must fall the price of silver; for the diminished amount, in gold value, of Indian productions which are exchanged against goods and silver, reduces the amount to be settled by an importation of silver upon the account A.

APPENDIX II. to No. 28.

EXTRACT from "*A Few Words on our Financial Relations with India.*" By Major (afterwards Colonel Sir George) Wingate, R.E.: Richardson Brothers, 1859, pp. 57–64.

There does not seem to be any insuperable difficulty in the way of discovering the principles upon which the financial relations of India with this country should be settled. With reference to its economical effects upon the condition of India, the tribute paid to Great Britain is by far the most objectionable feature in our existing policy. Taxes spent in the country from which they are raised are totally different in their effect from taxes raised in one country and spent in another. In the former case, the taxes collected from the population at large are paid away to the portion of the population engaged in the service of Government, through whose expenditure they are again returned to the industrious classes. They occasion a different distribution, but no loss of national income, and hence it is, that in countries advanced in civilization, in which the productive powers of man are augmented by mechanical contrivances, and a judicious use of the powers of nature, an enormous taxation may be realised with singularly little pressure upon the community. But the case is wholly different when the taxes are not spent in the country from which they are raised. In this case they constitute no mere transfer of a portion of the national income from one set of citizens to another, but an absolute loss and extinction of the whole amount withdrawn from the taxed country. As regards its effects on national production, the whole amount might as well be thrown into the sea as transferred to another country, for no portion of it will return from the latter to the taxed country in any shape whatsoever. Such is the nature of the tribute we have so long exacted from India. And the burden of a tribute is aggravated in proportion as the tributary country is backward in civilization, and possesses few mechanical and scientific aids for augmenting its productive power; for the net income of such a country, or the surplus of the gross produce of the nation's industry over and above the quantity required to replace the amount consumed in production, must necessarily be small. A country in the high state of industrial development of our own, could probably pay in tribute one half of its whole taxation more easily than India could pay one tenth, which was not far from the proportion that the tribute bore to the gross revenues before the outbreak of the mutiny. From this explanation some faint conception may be formed of the cruel, crushing effect of the tribute upon India. Let the reader endeavour to picture to himself what the present conditions of India would have been had the 30 or 90 millions of Indian taxes, which have been transferred to this country in the present century, been spent in India upon reproductive public works calculated to augment the producing powers of that country. India would long ago have been penetrated in every direction by roads, canals, and railroads. Agricultural produce would, by means of the facilities of transit thus afforded, have been drawn from the remotest parts of the interior to the seaboard for export to foreign countries, and those regions which now cannot import, because they cannot export, would have become consumers of foreign commodities in exchange for the produce thus sent away. It is probably a poor and inadequate conception to suppose that the net surplus of Indian industry beyond the cost of production, as distinguished from the gross production, would by these means have been doubled or trebled. And as this net surplus forms the fund by means of which a country obtains its imports of foreign commodities, it is not unreasonable to infer that the exports and imports of India, would have been double or treble what they are now. Let the people, and especially the manufacturers of this country, lay it to heart, that but for this cruel and sordid tribute, by which the total annual income of this country has been augmented by two or three [of late years say ten] millions, our exports [of merchandise] to India, instead of being from ten to sixteen [thirty to forty] millions might have been from twenty to fifty [sixty to one and fifty hundred] millions. For an income of two to three [say ten] millions we have sacrificed a trade of ten to twenty-five [forty to eighty] millions. Let the people of England, and especially the manufacturers of Lancashire, count the cost.

The Indian tribute, whether weighed in the scales of justice or viewed in the light of our own true interests, will be found to be at variance with humanity, with common sense, and with the received maxims of economical science. It would be true wisdom, then, to provide for the future payment of such of the Home charges of the Indian Government as really form tribute, out of the Imperial Exchequer. These charges would probably be found to be the dividends on East India stock; interest on home debt; the salaries of officers and establishments and cost of buildings connected with the Home Department of the Indian Government; furlough and retired pay to members of the Indian military and civil services, when at home; charges of all descriptions paid in this country, connected with British troops serving in India, except for the purchase of stores to be sent to India; and a portion of the cost of transporting British troops to and from India. In regard to the last item, it would seem to be a fair and most convenient arrangement for the British Government to pay the cost of chartering ships, &c., for the transport of troops to India, and for the Indian Government to bear the cost of sending them home again. In fine, the tribute is made up of such items of charge, connected with the Government of India, as are spent in this country, and for which India receives no material equivalent in any form. In defining the future financial relations of India and Great Britain, it would seem to be a most just and equitable arrangement to require each country to furnish that portion of the total cost of Government, which is expended within its own limits and goes to the support of its own industry. Upon this principle, British troops, actually serving in India, would not have to be supported by this country, as in the case of the Colonies, but would be paid by India [as they are now], and only such officers and men of Indian regiments as might happen to be at home would be paid from the British Exchequer.

What appears to be most urgently required is the appointment of a Royal Commission of first-rate men, thoroughly competent to the investigation of

economical, political, and moral questions, for the purpose of inquiring into the present financial relations of Great Britain and India, as compared with those of Great Britain and our other dependencies and colonies; and of ascertaining the various items of the Home charges which may properly be viewed as a tribute paid by India to this country, as well as their total amount since the commencement of the present century; and to report upon the probable effect of this tribute on the condition of India, and the best means of adjusting the financial relations of India and Great Britain for the future, so as to secure the greatest amount of advantage to both countries. . . . . Such a Commission would have no occasion to proceed to India for the purpose of collecting information, as the whole of the data necessary for the formation of a sound judgment upon all the questions that would be referred to them for investigation, is already to be found in this country in an available shape. A few months at the utmost would suffice for the prosecution of their inquiries and the preparation of their report, which would go forth to the country with all the weight of authority attached to the conclusions of men selected for eminent ability and familiarity with the questions submitted to their judgment. . . . . Were India to be relieved of the cruel burden of the tribute, and the whole of the taxes raised in India to be spent *in* India, the revenue of that country would soon acquire a degree of elasticity, of which we have at present little expectation, and certain branches of the existing taxation might even be safely increased, so as to ensure a sufficient surplus revenue for developing the resources of the country by means of reproductive public works.

See also the concluding portion of J. S. Mill's chapter on the *Distribution of the Precious Metals.*

[N.B.—The numerical terms within brackets on page 65, column 2, are not in the text, but were inserted (in 1883) so as to adapt Wingate's argument in the heavier Home charges and larger trade figures of recent years.]

No. 29.

FURTHER MEMORANDUM by MR. W. MARTIN WOOD (to complete SECTION III. of his MINUTE printed in APPENDIX to EVIDENCE given before LORD HERSCHELL'S CURRENCY COMMITTEE of 1893).

This broad fact, that the cause of prices *not* having risen in India in accordance with the cheapness of its currency standard metal, is, that the natural flow of silver has been checked by the extraneous financial demand represented by the increase in Council Bills, is strikingly shown by comparison in these two respects, between the eleven years ending 1872, and the similar period ending 1883, as thus set out—

	Rupees.
Council Bills from 1862 to 1872 (both inclusive) - -	71,61,56,776
Council bills from 1870 to 1883 (both inclusive) - -	175,40,45,677
Annual average of former period	6,51,05,160
Annual average of latter period	15,94,58,091

Net Imports of Treasure during corresponding periods:—

	Rx.
1862 to 1872 - - - -	159,660,000
1873 to 1883 - - - -	82,190,000
Annual average of former period -	£14,510,000
Annual average of latter period -	£7,460,000

As it is only silver that affects currency and trade finance in India, the gold included in the total of Net Imports of Treasure does not count in this particular comparison, which is therefore all the more striking. It will be seen from the above that, whereas during the earlier of these periods the imports into India of bullion and specie were nearly twice the amount of such imports in the latter period, while as to Council Bills there were in the latter period two and a half times the amount in the previous eleven years, thus affording a clear demonstration that the Secretary of State's demands (*i.e.*, Bills on the Indian Treasuries) supersede *pro tanto* bullion imports into India. The *silver* taken by India in the former period amounted to close on Rx 160,000,000, and in the latter to barely 80,000,000; so that it is a matter of surprise that prices in India did not go *down* in presence of such greatly diminished supplies of the standard metal, whilst internal trade was extending with increased railway communication, and the growth of population.

That prices had not gone down so much as the diminished supply of silver would imply is partly accounted for by two circumstances: (*a*) The coinage of silver in India appears to have exceeded by five or six millions (Rx) the total net imports of the white metal during the later eleven years in evidence. thereby indicating that the excess had been drawn from silver previously in India; and (*b*) the increase on the note circulation in the same period of about (Rx) five millions.

Incidentally, it may be remarked that we have here a practical illustration of the axiom as to the direct relations between prices and the volume of currency.

No. 30.

MEMORANDUM on DISCOUNT RATES in INDIA by Mr. J. A. ANDERSON and Mr. H. M. ROSS.

Calcutta, 1st June, 1898.

The accompanying tables and diagram admit of easier explanation if we roughly separate into three great divisions such money in India as directly affects the rates of discount. This money may be classified as follows:—

Division 1.—That employed in Native banking and commerce.
„ 2.—That employed in European banking and commerce, including the deposits of Government with the Presidency Banks.
„ 3.—Coin in the Government Treasuries.

On reference to Table A it will be seen that the rates of discount that have prevailed in Division 1 compare advantageously with those obtainable under Division 2. For the period over which the comparison extends small native traders were able to discount their paper on better terms than were given by the Presidency Banks to European firms of the highest standing, even on the security of Government paper. This remarkable divergence would seem to show that there is ground for the contention that the existing monetary scarcity is a scarcity felt more by European than by native trade, and that it is attributable to the fact that the Exchange Banks and their constituents have remitted home most of their capital owing to want of confidence in the future of the rupee, a sentiment which, of course, does not extend to the native banker. The money of Division 1 is not available for remittance homewards and does not affect the rate of exchange.

For the above reason Division 1 finds no place in the diagram, which purports to show the alternating effects upon the bank rate of Divisions 2 and 3. In this diagram the weekly statements of the three Presidency Banks are taken as practically showing the position of Division 2, since the balances, both of the Exchange Banks and of European traders, are, directly or indirectly, lodged with them. There is a small discrepancy between Division 2 and Division 3 and their corresponding bank balances and Treasury balances shown in the diagram. Division 2 includes the Government deposits with the Presidency Banks, because they are available for the purposes of commercial finance; but, in the diagram, these Government deposits are included in the Treasury balances to better illustrate the power which the Government has of controlling the money market. The amount of these Government deposits is shown by Table B to remain fairly constant at about three crores of rupees, hence the discrepancy between the divisions and the diagram does not materially weaken the argument that the Government really controls the Indian money market. Should it withdraw these three crores, with which, it would appear, the banks finance their customers, they would have to be replaced by importations of gold by the Exchange Banks. The deposits of Government with the Presidency Banks are not available for

remittance home, but they affect exchange by being employed in India, and so force away other loanable capital when discounts are low.

The amount of coin in the Government Treasuries (Division 3) rises and falls as taxes are collected and Imperial disbursements made. Such rise or fall is reflected in an *inverse* movement of Division 2. After the closure of the Mints the regularity of these movements was for long interfered with by

(*a*) The expenditure of the 11 crores of rupees locked up by the suspension of Council Bill Sales in 1893.

(*b*) The release of two crores from the Paper Currency Reserve at the close of 1896.

Since the completion of the last of these "watering" operations, however, it has been possible to note with greater accuracy the reflective movements of Divisions 2 and 3. As will be seen from the diagram, discounts rise and fall *directly* with the amount of coin in the Government Treasuries and *inversely* as the amount of money in the Presidency Banks. In other words, the Government Treasuries alternately absorb and release the loanable capital of Division 2.

Table C shows similar, though more varying, effects over a period of four years, as also the coincident rates of exchange. When the private deposits in the Presidency Banks fall below two crores, we see discounts rising to 10 per *cent.*: when the private deposits advance to 4½ crores, we see discounts falling to three per cent. or four per cent. These figures appear to show that a currency scheme which can affect directly and immediately these deposits (or in other words the amount of loanable capital at the service of the Presidency Banks) will offer the readiest and cheapest means of controlling the rates of discount and also of exchange, since the tendency of dear money is to raise exchange, and of cheap money to lower it. But as the Government deposits with the Presidency Banks are not remittable, the scheme only requires to provide for the movement of the remaining European loanable capital. As apparently this has not exceeded 4¾ crores in the past two years, a very moderate amount of gold should suffice.

On the other hand, from the fact that the native money market (Division 1) has not betrayed the extreme stringency which has characterised the European one (Division 2), it may be held that the scheme which is adopted should as far as possible guard against the danger of gold passing into the internal circulation, since the extent to which the silver money of Division 1 would be exchanged for gold coins is quite unknown, and cannot be measured by the very small depletion which, in the case of Division 2, suffices to produce stringency. If, then, this danger is to be avoided, the necessary control would be as effectively, and more cheaply, obtained by a scheme which substituted sterling drafts or gold bars for exportation for the issue of gold coins for internal circulation.

The fact that in the busy seasons of the past two years, all capital, both native and European, has been fully employed at good rates of discount, shows that there is no longer any appreciable surplus coinage in the country above its normal requirements; that even in the dull season the unemployed capital of Division 2 is small and can be easily dealt with, and that the necessity for melting down rupees, which would have been advantageous when the Mints were first closed, has now entirely disappeared. The trade of the country now requires more money rather than less, and it may fairly be argued from the foregoing that the melting down of rupees would only be a perpetuation of the policy which has induced the present stringency. Moreover, the scheme submitted by Government (which does not propose to substitute at first a circulation of gold coins for the rupees melted down) will reproduce the worst defect of the present system of currency, *viz.*:—a fixed *maximum* without a fixed *minimum* for the convertibility of the rupee. This defective feature of the present scheme has brought about certain methods of business based upon what may be termed "the evasion of the maximum." In other words, the fixing of 1*s.* 4*d.* as the convertible rate of the rupee in India, and of 1*s.* $4\frac{3}{32}$*d.* as the convertible rate against deposits of gold in England, amounts to a firm offer of rupees to all comers for all time at these rates. It is therefore clear that every banker or merchant, having such firm offer to fall back on, will exercise all his ingenuity to obtain his rupee requirements on better terms, and will only close with the Government's offer when all other means have failed him. This is the secret of the failure of the repeated attempts of the Secretary of State to fix a minimum for his Council Bills, for it is to be understood that the minimum of the Secretary of State is the maximum of the banker or merchant, and, as such, is evaded as long as possible. Each time that Exchange approaches this maximum, the export merchant ceases to sell bills, since he cannot sell them on worse terms, and may, by waiting, sell them on better, while the importer hastens to buy sterling in excess of his requirements, because he cannot lose, and may gain, by so doing. During the last two years exchange has again and again approached this maximum, only to recede almost immediately, from the effect of mercantile and banking operations such as are here described.

To remove this defect, the scheme which is adopted should provide a minimum remittance rate to all comers. The liability, as shown by the diagram, is small, seeing that the depletion of Division 2 by even so small a sum as two to three crores has an effect on discounts, which will speedily secure the return of the rupees to the circulation. It must, however, be urged that if the present monetary stringency is to be alleviated, the margin separating the maximum and minimum rates of convertibility should be a comparatively small one. Thus, if the margin be two per cent. as suggested in the Lindsay scheme, it should always be possible for the banks to obtain funds from England at two per cent. over the Bank of England rate, and consequently this margin would represent the extent of any monetary stringency in the Indian money market. Any scheme, however, which widens the margin between the maximum and minimum of convertibility, will tend to perpetuate the era of dear money in India. But a scheme like that proposed by the Government of India will neither beget confidence nor induce monetary ease, since its primary object is not convertibility assured by the Government, but a continuance of the policy of contraction, which has led to commercial difficulties, and has entirely failed to beget that spirit of confidence which, as Sir David Barbour pointed out in his Minute of 21st June, 1892, is essential to the success of the reform.

In conclusion, a word may be said with reference to the fears expressed as to the probable disturbance of the London money market owing to a large demand for gold by India. Table C. shows that at the beginning of 1894 (with the Treasury balances swollen by the cessation of Council Bill sales) the monetary position was much the same as now. Financial ease was induced in the interval by the release of 13 crores of rupees [representing unsold Council Bills and the lowering of the metallic reserve of the paper currency department], all of which have been absorbed by the country's requirements. The drain upon the European stock of gold, therefore, would not be of large extent if a fresh supply of 13 crores of currency in the space of four years has almost sufficed for the needs of India.

J. A. Anderson.
H. M. Ross.

Table A.

Comparing Rates of Discount charged by Native Bankers with Bank of Bengal Rates.

Native Bankers have no fixed rate of discount, but each transaction is a separate bargain, the charge varying with the standing of the drawers and endorsers and with the conditions of business. If things are going smoothly, small men get almost as good terms as wealthy ones, whilst threatenings of trouble cause a wide gap between the two. The usual accommodation is by Hoondies of 51 days' date, with two names. Hajarimal Sagarmal's business consists in discounting these Bills, whilst Mugniram Kunilal devotes his attention to making advances on shares and Government paper, &c., though to some extent also discounting Hoondies. Their rates may be taken as typical of the value of money amongst the native community in the past 18 months.

——	Hajarimal Sagarmal's Rates.	Mugniram Kunilal's Rates.	Bank of Bengal Rates.
1897.			
10 to 15 January -	6¾ @ 9%	7¼ @ 8½%	10%
15 „ 31 „ -	7 „ 4¾		
1 „ 14 February -	5 „ 5¾	7½ „ 9	10
March -	6¼ „ 9	7 „ 8	10
1 „ 15 April - -	6¾ „ 7¾	6¾ „ 7¾	10
16 „ 30 „ - -	7¼ „ 8		
1 „ 15 May - -	7½	7½ „ 9	10
6 „ 31 „ - -	7 „ 5¼	6½ „ 7½	
June - -	6 „ 4¾	5 „ 6	8
1 „ 15 July -	2¾ „ 3¼	4 „ 5	5
16 „ 31 „ - -	2¼ „ 2¾	3 „ 4	
August -	2¼ „ 2¾	2¾ „ 3	5
September -	2¼ „ 2¾	3 „ 4½	6
October -	3¾ „ 3½	3½ „ 4½	7
November -	3¼ „ 3½	3¼ „ 4½	5
December -	2½ „ 3	2½ „ 3¼	9
after 25th	—	6 „ 7⅓	
1898.			
1 to 15 January -	9 @ 10¼%	8 @ 9 & 10	11
16 „ 31 „ -	9½ „ 10½		
February -	9½ „ 10½	9 „ 12%	12%
March -	8¾ „ 9	8 „ 10	12
April - -	9 „ 10	7 „ 8½	11
1 „ 15 May - -	8 „ 9½	8 „ 9	11
15 „ 30 „ - -	6 „ 7	6 „ 7	11

These rates have also been compared with those shown in the books of Juggonath Gordundas, another Hoondie discounter. His rates are practically the same as shown above, except in July—August 1897, when he was charging his customers about 1 per cent. higher than the rates given above.

TABLE B.

Comparative Statement showing the amount of Government money as compared with private money in the three Presidency Banks as per the banks' statements on the following dates in 1898:—

——	Private.	Government.
	Crores.	Crore.
4th January - -	1·25	3·05
11th „ - -	1·29	2·68
18th „ - -	1·75	2·72
25th „ - -	1·63	1·63
1st February - -	1·70	2·72
8th „ - -	1·18	2·82
15th „ - -	1·19	2·96
22nd „ - -	·65	2·55
1st March - -	·81	2·80
8th „ - -	·46	2·95
15th „ - -	·93	3·18
22nd „ - -	·70	3·04
29th „ - -	·21	3·69
5th April -	·18	3·56
12th „ - -	— ·13 (minus)	3·51
19th „ - -	+ ·51	3·24
26th „ - -	·98	3·45
3rd May - -	1·07	3·53

From this it will be noted that Government money forms a large part of the loanable capital in the busy season. Without it in the past five months it would have been necessary to import gold largely to carry on the trade of the country.

TABLE C.

(1) Refers to balances in the Treasury, and (2) to private money in the Presidency Banks in crores of rupees.
(1) The Treasury balance includes the reserve balance and cash and notes of the public deposits with the Presidency Banks. (2) Amount in the hands of the Presidency Banks consists of the cash and notes after deducting the said public deposits. Position at end of each month:—

1894.						1895.				1896.				1897.				1898.				
—		Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	—
January	(1)	23·80		s. d.	%	20·77		s. d.	%	13·90		s. d.	%	11·95		s. d.	%	12·90		s. d.	%	
	(2)	1·72				2·59				3·32				2·42				1·70				
			=25·52	1 $2\frac{3}{8}$	6		=23·36	1 $0\frac{13}{32}$	5		=17·22	1 $2\frac{1}{32}$	5		=14·37	1 $3\frac{5}{16}$	10		=14·60	1 $3\frac{15}{16}$	11	January.
February	(1)	25·01				20·94				14·70				11·87				14·15				
	(2)	1·68				2·02				0·73				2·25				·81				
			=26·69	1 $1\frac{17}{32}$	10		=22·96	1 $0\frac{7}{8}$	7		=15·43	1 $2\frac{11}{16}$	7		=14·12	1 $3\frac{1}{16}$	10		=14·96	1 $3\frac{15}{16}$	12	February.
March	(1)	25·54				22·51				16·45				13·81				15·97				
	(2)	·92				1·53				·68				1·14				·21				
			=26·46	1 $1\frac{25}{32}$	9		=24·04	1 $1\frac{3}{32}$	5		=17·13	1 $2\frac{3}{8}$	7		=14·95	1 $3\frac{1}{16}$	10		=16·18	1 $3\frac{25}{32}$	12	March.
April	(1)	24·47				20·46				15·05				12·40				13·70				
	(2)	·94				1·38				1·18				1·24				·98				
			=25·41	1 $1\frac{1}{4}$	9		=21·84	1 $1\frac{9}{16}$	5		=16·23	1 $2\frac{1}{8}$	6		=13·64	1 $2\frac{21}{32}$	10		=14·68	1 4	11	April.
May	(1)	23·28				20·00				14·92				11·80								
	(2)	3·04				1·46				1·69				·90				—	—	—	—	
			=26·32	1 $0\frac{15}{16}$	7		=21·46	1 $1\frac{9}{16}$	5		=16·61	1 $1\frac{23}{32}$	4		=12·70	1 $2\frac{7}{16}$	10					May.
June	(1)	25·01				21·20				14·53				11·15								
	(2)	2·12				3·04				4·07				1·15				—	—	—	—	
			=27·13	1 1	5		=24·24	1 $1\frac{3}{16}$	5		=18·60	1 $2\frac{1}{4}$	3		=12·30	1 $2\frac{13}{16}$	8					June.
July	(1)	23·58				19·13				15·62				9·22								
	(2)	3·45				5·32				4·80				4·72				—	—	—	—	
			=27·03	1 $0\frac{15}{16}$	4		=24·45	1 $1\frac{9}{32}$	3		=20·42	1 $2\frac{7}{32}$	3		=13·94	1 $3\frac{3}{32}$	5					July
August	(1)	22·13				16·80				14·20				8·50								
	(2)	4·31				6·54				4·21				4·28				—	—	—	—	
			=26·44	1 $1\frac{13}{16}$	4		=23·34	1 $1\frac{3}{8}$	3		=18·41	1 $2\frac{1}{16}$	3		=12·78	1 $3\frac{13}{16}$	5					August.
September	(1)	19·91				13·75				12·57				7·60								
	(2)	5·31				6·78				3·76				4·15				—	—	—	—	
			=25·22	1 $1\frac{3}{16}$	3		=20·53	1 $1\frac{1}{2}$	3		=16·33	1 $2\frac{3}{16}$	5		=11·75	1 $3\frac{5}{8}$	6					September.
October	(1)	17·50				11·27				9·80				8·09								
	(2)	7·68				7·73				2·31				2·98				—	—	—	—	
			=25·18	1 $1\frac{11}{32}$	3		=19·00	1 $1\frac{7}{8}$	3		=12·11	1 $2\frac{21}{32}$	7		=11·07	1 $3\frac{21}{32}$	7					October.
November	(1)	16·33				10·77				7·50				8·07								
	(2)	7·47				6·14				3·20				3·61				—	—	—	—	
			=23·80	1 $1\frac{1}{8}$	3		=16·91	1 $1\frac{25}{32}$	5		=10·70	1 $3\frac{3}{16}$	8		=11·68	1 $3\frac{3}{16}$	5					November.
December	(1)	17·10				10·66				9·63				9·97								
	(2)	5·44				5·23				3·43				1·49				—	—	—	—	
			=22·54	1 $0\frac{7}{8}$	3		=15·89	1 $2\frac{1}{32}$	5		=13·06	1 $3\frac{5}{8}$	10		=11·46	1 $3\frac{3}{4}$	9					December.
		Average Exchange - 13·337*d.*				- 13·346*d.*			-	- 14·418*d.*			-	- 15·234*d.*			-	-	—		-	
		Average Discount - $5\frac{1}{2}$ %				- $4\frac{1}{2}$ %			-	- $5\frac{3}{8}$ %			-	- $7\frac{11}{12}$ %			-	-	—		-	

Calcutta, 12th May 1898.

No. 31.

LETTER on BANK RATE and BAZAAR RATE in INDIA by Mr. JAMES H. SLEIGH, Secretary and Treasurer of the Bank of Bombay.

Reprinted from the "Times of India," 17th November, 1898.

To the Editor of "Capital," Calcutta.

SIR, Bombay, 12th November, 1898.

YOUR correspondent "Mercator," in his letter from Folkestone, dated 30th September last, reviewing some of the evidence given before the Currency Committee in London, does the Honourable Mr. Allan Arthur serious injustice in his criticism of the reply Mr. Arthur gave to Sir Henry Fowler's question No. 1735.

The question and answer run as follows: "Now "there is another point you have told us about—the "high bank rate. Has that rate been as high as the "discount in the bazaar?—No, my experience is that "the rate of discount in the Calcutta bazaar has not "been so high as the Bank rate. During the recent "period of stringency I know I had some bills to dis- "count, and I went and asked the rates for discounting "them, and I was quoted in the bazaar 8 per cent. I "was quoted by the Bank of Bengal 13½ per cent. I did "not discount the bills, but those are the quotations "that were given to me."

"Mercator" writes: "One can hardly understand "a British merchant uttering such arrant nonsense. "Why did not Mr. Arthur take bazaar money at 8 per "cent., and lend it out at once at a handsome profit on un- "doubted security, which he could certainly have done, "and conferred a benefit upon some of his brother mer- "chants, who had great difficulty in getting money at "any price? I have had 15 years' experience of intimate "relations with all the native bankers in the Calcutta "bazaar, and can confidently assert that with a tight "money market the Marwari banker will not underbid "the Bank of Bengal, for the very good reason that all "his agencies up-country are taking money from the "Bank of Bengal at full current rates. The Marwari, "however, will, when discount rates are on the de- "cline, lower his rates more rapidly than the Bank, but "these forward rates, never exceeding 2 per cent. "under Bank rate, are only for his own community, the "Marwari trader and banker, and not for the outsider, "whether native or European. Mr. Arthur appears "to be a very gullible person."

My experience, now extending over a period of 30 years, in the closest contact with the Indian money market, both in native and European circles, entirely corroborates the statement which "Mercator" so vehemently denounces. Surely no one doubts the veracity of Mr. Arthur's statement, and that one instance of actual experience is worth more than the theoretic deductions of a thousand Mercators!

During the last export season, Shroffs' 60 days' sight bills were not obtainable over 8 per cent. discount except to a very limited extent at some of the produce marts up-country where there might be difficulty in laying down money. This was the rate then ruling in the native bazaar both in Bombay and Calcutta, and that, too, while the Exchange Banks were greedy to receive fixed deposits for short periods at 9, 10, and even 11 per cent. per annum, and while the Presidency Banks were straining to meet the demands for loans at 12 and 13 per cent. per annum. But there is no singularity in these facts. The same peculiarity has shown itself over and over again during periods of financial pressure; and even at the present moment, while money is not by any means tight, there exists a difference of about 2 per cent. between the bazaar and the Presidency Bank's rates. I have ever found that when the official rate rose abnormally high the rate in the native market did not respond to the full extent, but generally stopped at 7 or 8 per cent., though the Presidency Banks' rate might rise to 10 or 12 per cent.

The explanation is simple! The Shroffs, who finance nearly the whole of the internal trade of India, rarely, if ever, discount European Paper and never purchase Foreign or Sterling bills. Neither do they lend money on Government Paper or similar securities, but confine their advances to the discount of *hoondees*, to loans to cultivators, and against gold and silver bullion. The *hoondees* they purchase are for the most part those of traders, small and large, at rates of discount ranging from 9 to 25 per cent. per annum, but the *hoondees* they buy from and sell to each other, which are chiefly the traders' *hoondees* bearing the Shroff's own endorsements, rule the rates in the native bazaar, and are generally negotiated, during the busy season, at from 5 to 8 per cent. discount. They also discount their endorsements pretty largely with the Presidency Banks when rates are low and discontinue doing so when they rise above 6 per cent. They also speculate largely at times in Government Paper, especially during the off season, but rarely or ever hold it or lend on it.

Their aggregate financial resources are very great, which, with their high credit and the elasticity of their system, enables them in times of severe stringency not only to continue but to increase their support to the internal trade of the whole country without the assistance of the Banks or experiencing any necessity to materially raise their rates of interest. They possess great facilities, too, for laying down funds in the Presidency towns by calling for remittances from their numerous agencies established in every Exchange centre in India, and are able to do so at rates much more favourable than at the same time obtain in Calcutta, Bombay, and Madras.

These are facts, and cannot, therefore, be disputed, so far at all events as their absolute truth is concerned. Hence the peculiarity of differential rates of interest and discount in India, and had "Mercator" taken the trouble to make proper inquiry he would have found it an easy task to discover the why and the wherefore.

"Mercator's" deductions would unquestionably hold good when applied to most of the Bourses of Europe, but Bombay and Calcutta are not in Europe! The Indian money markets possess very distinctive features and will probably retain them for many a year to come!

Mr. Allan Arthur, I know, is too shrewd and able a man of business to be ever likely to talk "arrant nonsense," or to say what is calculated to mislead.

Yours, &c.,
JAS. H. SLEIGH.

No. 32.

LETTER from COMMANDER HASTINGS BERKELEY, R.N., on the FOREIGN TRADE OF INDIA and a LOW RATE of EXCHANGE.

The Rookery, Headington, Oxford,
SIR, 1st November 1898.

I VENTURE, with much diffidence and in the briefest possible manner, to draw attention to certain fallacies of reasoning which appear to underlie the opinion that a low rate of exchange is a permanent stimulus to the foreign trade of India.

This view was brought very prominently before the Committee by several witnesses, and if there is any truth in it, its importance as a factor in fixing a par of exchange can hardly be exaggerated.

The gist of the argument, in a few words, appears to be as follows:—Under a low rate of exchange the seller of Indian goods receives for them a larger number of rupees than he does under a high rate. The increase of profit consequent upon this is cut out of the hands of the merchant, and of the middlemen generally, by the operation of the close competition which exists between them, and it therefore eventually finds its way into the hands of the cultivator, enabling him to extend his cultivation, and in turn to buy import goods more largely. Thus both the import and export trades are stimulated. (*See* Mr. S. Ralli's evidence, especially 5951. Also Sir F. F. Adam's, 7807.)

Sir D. Barbour pointed out (7945) the difficulty of explaining how a fall in exchange can permanently stimulate the international trade between two countries, since, if we consider the exchange in terms of both currencies, that which is a fall from one point of view is a rise from the other. Sir F. F. Adam admitted that "it is more or less of a conundrum that has to be "answered in this case from the Indian point of view" (7946). This, of course, is merely a restatement of the conundrum.

It will, I think, be found that the argument gradually crumbles away if, instead of assuming as a matter of course, that under a low rate of exchange the seller of Indian goods necessarily gets a larger number of rupees than he did under a high rate, we begin by questioning the validity of this assumption. It then becomes tolerably obvious that this assumption is valid or not, according to the character of the economical facts of which the fall in exchange is merely the exponent.

For what, after all, is the essential character of a rate of exchange between two currencies? Broadly

considered, it is simply an expression for the relative general purchasing powers of the two rated coins. Hence, if we exclude temporary fluctuations, any gradual and continued change in the rate is evidence of a change, and quantitative evidence of a change, in this *relation* of the two purchasing powers; but we must be particularly careful not to start any theory which includes the unexamined presumption that one or either of the rated coins has maintained unchanged its purchasing power, while that of the other has altered. Commonly, no doubt, a change in the purchasing power of both will be involved. For the purpose of illustration it will be sufficient to take two definite simple sets of conditions accompanying a fall in the Indian exchange: as (*a*) where this fall indicates or measures a fall in general purchasing power of the rupee, the purchasing power of the pound sterling remaining constant, and (*b*) where it measures a rise in the purchasing power of the pound, the purchasing power of the rupee remaining constant.

In case (*a*) it is quite clear that the same quantity and quality of Indian produce will command more rupees, but the argument that there is a greater profit on its sale is a *non sequitur*, since, whatever is gained in number of rupees is lost in their individual value, *i.e.*, in purchasing power. In case (*b*) where the purchasing power of the rupee has not altered, there can be no more rupees obtained than before, but the pound sterling will buy more than it formerly did. Thus in neither case is there, on *a priori* grounds, any logical validity in the view that a fall in exchange is in itself a source of increased profit to the Indian producer. It may, nevertheless, be necessary to modify this conclusion if we consider the matter in relation to the fixed charges borne by the Indian producer. We come here upon the apparently interminable controversy as to whether a fall in exchange is or is not in the nature of a bounty on Indian exports. It seems to be recognised that a fall in exchange cannot act as a permanent bounty, but while it is contended by some that such a fall acts at least as a temporary bounty, this is denied by others. The preceding considerations will show, I believe, that neither view is strictly correct. There is in each an element of truth, and this is probably the reason that agreement is difficult.

The mere fact of a fall in exchange, apart from any knowledge of the economical conditions which have brought it about, does not enable us to form a judgment. In order to form such judgment it is necessary to know whether the fall in exchange is due wholly or partly to a fall in the general purchasing power of the rupee. If so, then, the fixed charges borne by the producer remaining the same in rupees but being less in produce, there would be a *quasi* bounty; but if the fall in exchange is due entirely to an enhanced purchasing power of gold, the alleged bounty is mythical.

I am, Sir,
Your obedient Servant,
HASTINGS BERKELEY.

The Right Hon. the Chairman,
Indian Currency Committee.

No. 33.

MEMORANDUM by JOY GOBIND LAW, C.I.E., Member of the Legislative Council of the Governor-General of India, dated CALCUTTA, 27th August 1898.

I see the question has been raised as to the effect of Government currency measures on prices of Indian produce. It is a most difficult question. There are so many facts and circumstances which combine to govern prices, that it is almost impossible to predicate with any amount of certainty, of any particular variation in prices, that that was the result of the closure of the mints. It is conceivable that a sudden rise in exchange would have the effect of suspending for the moment purchases for European countries, but very soon things adjust themselves to the altered conditions, and either there is a fall in prices in the producing country, or a rise in the purchasing country; or, what is more usually the case, the difference is split and shared between the two. But, so far as my knowledge goes, there has been no permanent fall in the prices of Bengal exports owing to the contraction of the currency; nor is there any reason to suppose that trade has been crippled because of it, and there are no indications of such a catastrophe. The Bengal producer, mchajun or merchant, goes about his work without the slightest suspicion that the closing of the mints has had anything to do with fluctuations in prices, which, when they do occur, are rightly ascribed to the ordinary causes, demand and supply.

Much has been made of the losses which the poorer classes of the people have been put to, because of the appreciation of the rupee, in connection with the silver ornaments they were possessed of before 1893, but I have never heard of any serious or widespread complaints on this head; and, whatever their losses may have been at the commencement, it is undeniable they were not in operation since, and as they (the people) have been during the last few years in a position to secure a greater quantity of silver bullion for a given number of rupees than they ever were before, no doubt this has been a source of pleasure and enjoyment to them.

The greatest amount of opposition to the legislation of 1893 comes, it is true, from that important body, the European planters, but it appears to me there is a certain amount of misapprehension in regard to the effects of that legislation. They evidently seem to be under the impression that were it not for that measure they would be making immense profits on their productions. But does any one suppose that any permanent benefit would have accrued to them had exchange rates been lower than they have been? There is such a thing as competition, and competition would very soon have put an end to the extraordinary profits they imagine they could have secured. On the other hand, I cannot believe that the appreciated rupee has been of no advantage to them. Have they not to procure their machinery and stores from Europe? Would they not have to lay out a greater number of rupees to pay for them, had exchange dropped to 10*d.*, and have not some of them to remit their profits to England?

It must be admitted that the appreciation of the rupee affords a strong temptation to illicit coining, but I do not see that this is an insuperable difficulty. Currency notes have no intrinsic value, and the Indian Government have not found it impossible to detect and check forgeries.

In what I have said I am far from suggesting that there are no inconveniences or difficulties attachable to a currency with an artificial value. I believe there are several inconveniences and difficulties, but the question appears to me one of a balance of advantages, and considering the fact that no one is able to say with any amount of confidence how low silver might fall, closed mints were a necessity forced upon us by circumstances over which we had no control. I do not know whether those who are advocating free coinage of silver fully appreciate the consequences. It is said that some of the best mines could produce silver costing 6*d.* per rupee. Imagine, then, what our position would be if anything approaching this were realised. It would mean disaster and ruin to the Indian Government and people, and the total stoppage of all works of improvement. Some people say, put on additional taxes, but, as everyone knows, there is not much room for them. To tax the country further to any appreciable extent would be sure to cause serious discontent and suffering, and the Government, instead of being a blessing, would be universally execrated; and this is a danger which must be avoided at all hazards. It would be a clear advantage to the country if a gold standard could be introduced to clinch the measures already in operation.

Since the preceding remarks were written I learn from telegrams in the newspapers that some of the witnesses before the Currency Committee, who are advocates of the free coinage of silver, have made certain proposals to meet it, and amongst them I find they suggest the raising of the customs duties to 10 per cent., the doubling of the salt or income tax, the increasing of the railway rates, and export duty on jute. It appears to me that the advocates of these measures hardly realise how poor the people are. A tax on salt at five rupees a maund would almost put it out of the power of the poorer classes to buy this necessary of life, and would certainly lead to widespread discontent, and a big income tax would produce the same result amongst the taxable classes. A 10 per cent. duty on imports would mean that the people must considerably restrict themselves in the matter of clothing, which, as everybody knows, is scanty enough already. It must be noted that it is not the 10 per cent. duty alone that would produce this result. The serious drop in the exchange rates consequent on free mints must also be taken into consideration. It will perhaps be admitted that any large increase in railway rates would lead to a considerable curtailment of the passenger traffic, and to a certain extent of goods also. But, irrespective of other considerations, it seems that

in making their proposals the witnesses I have referred to lose sight of the economic objections to them. Their object is, no doubt, to foster the trade of the country, which they allege is being injuriously interfered with by currency measures, but I am unable to see how the trade of a country is likely to be fostered by burdening it with heavy imposts.

No. 34.

LETTER from Mr. DORABJEE PESTONJEE CAMA.

3, Great Winchester Street,
DEAR SIR, London, E.C., 10th November 1898.

REGRET I am not in a state to attend Indian Currency Committee meeting as requested by you of yesterday's date. I enclose a copy of a letter that I wrote to the Chamber of Commerce on 3rd October 1892. I am still of the same opinion as therein stated, and, if you wish, you can put it before the Committee.

I remain, Dear Sir,
Yours faithfully,
Robert Chalmers, Esq. D. P. CAMA.

Copy of letter enclosed with above.

To The SECRETARY of the CHAMBER of COMMERCE.

DEAR SIR, London, 3rd October 1892.

IN reply to our Chairman's letter of 29th September, *re* silver question, my humble opinion is that that question will not be settled, until all the leading governments agree to select a certain metal to buy and sell; if they do not come to any arrangement, then the silver-using countries will continue to prosper by exporting their produce, and, as far as possible, manufacture what they import, which means ruin to the industry of gold currency country. When silver is at 39*d.* and rupee at 1*s.* 3*d.*, wheat sells at 30*s.* If India were to make the gold currency, a rupee ought to be 2*s.* (I have seen the exchange at 2*s.* 3*d.*), and when the exchange be at par, then India will not be able to sell wheat under 48*s.* If India keeps silver currency, silver by degrees will knock down the rupee, and I should not be surprised to see a rupee equal to a penny, in which case India can sell wheat at 2*s.*, instead of now selling it at 30*s.* Although, in fact, I am personally a sufferer, owing to depreciation of the rupee, I wish the Indian Government would not introduce gold currency in India, for the welfare of the country.

Yours faithfully,
D. P. CAMA.

No. 35.

LETTER from Messrs. RALLI BROTHERS, forwarding STATISTICS mainly relating to the COTTON TRADE (with Diagram).

25, Finsbury Circus, London, E.C.,
DEAR SIR, 11th November 1898.

I AM in receipt of the letter which you have written to me under date of 9th November on behalf of the Right Hon. Sir Henry H. Fowler, Chairman of the Indian Currency Committee, asking me whether I desire to be recalled as a witness to supplement the evidence given by me on 11th July last.

Having read the evidence of Mr. J. E. O'Conor, page 53 of the Minutes of Evidence taken before your Committee, No. 1416, I wrote to our Manchester firm, Messrs. Ralli Brothers, to prepare, if they can do so, a statement giving the official exports from the United Kingdom to India, of cotton goods for each year beginning 1873 and ending 1897. This work has taken a good deal of time. Some statements and charts were sent to me some time ago by our said firm, and I asked them to have them submitted to Mr. W. H. Holland, Sir Forbes Adam, and Mr. Barclay, Sir John Muir's agent in Manchester. I afterwards wrote to our Manchester firm to have copies of these statements and charts forwarded to Sir John Muir in Glasgow, and to my friend Mr. Robert Campbell, General Manager of the National Bank of India, with whom I had some conversations respecting them. I have since asked our Manchester firm to give us, if possible, the amount of production of the Bombay cotton mills in 1873 and 1897, which is a very important feature, and after ascertaining this, to send to the chairman and members of the Committee and to yourself copies of these statements and charts with the above additional information.

ON receipt yesterday of your letter under date of 9th November, I sent copy of same to our Manchester firm, asking them if they have not yet been able to get the information about the production of the Bombay cotton mills, to send to you 12 copies of the above-mentioned documents and charts, and not to wait any longer.

As regards my giving further evidence, the most important point is the above. There are also other points on which I could give evidence, but they are of secondary importance and will not affect the main issue, and from the reading of the blue book some of them have been already answered by other witnesses, and I have no doubt some others will be answered by the new witnesses which will be examined. Therefore while thanking the chairman and the members of the Committee for the opportunity given to me, I shall not avail myself of their kindness, and I shall not take up more of the Committee's valuable time.

Believe me, &c.
S. A. RALLI.

Robert Chalmers, Esq.,
Secretary Indian Currency Committee,
India Office, Whitehall, S.W.

STATEMENTS, &c. referred to in the foregoing LETTER.

(A.)

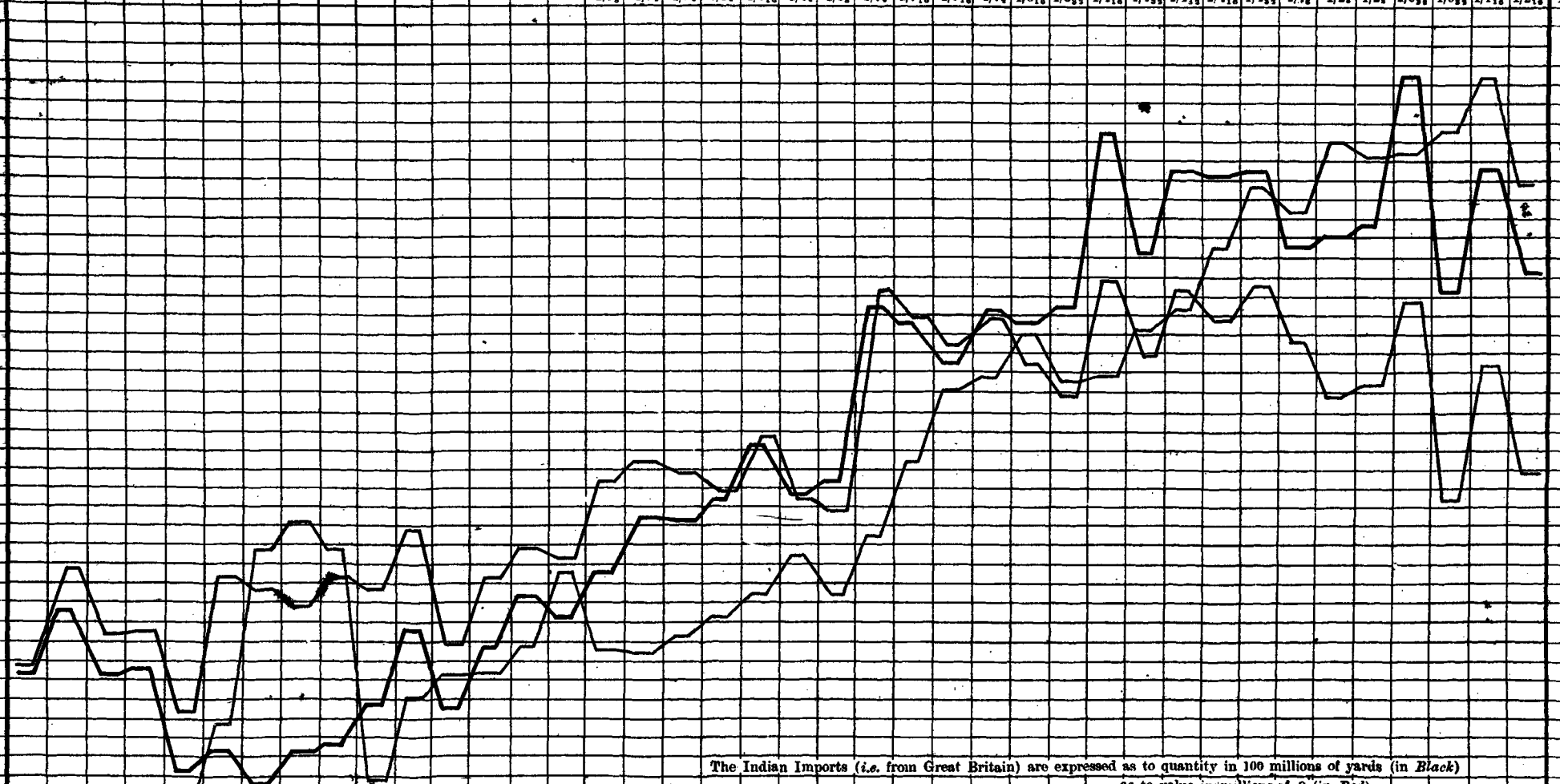
EXPORTS OF COTTON PIECE GOODS TO INDIA.

Year.	Quantities.	Value.
	Yards.	£
1858	728,671,215	8,414,684
1859	886,604,546	10,879,575
1860	722,828,446	9,078,637
1861	735,549,267	9,100,243
1862	463,502,615	7,178,514
	3,537,156,089	44,651,653
Average	707,431,218	8,930,331
1863	508,081,429	10,537,724
1864	439,256,572	10,279,078
1865	503,780,170	9,809,925
1866	545,404,082	10,628,116
1867	645,885,222	10,414,107
	2,642,407,475	51,668,950
Average	528,481,495	10,333,790
1868	843,268,498	11,915,364
1869	626,390,516	8,942,660
1870	784,927,800	10,700,638
1871	920,069,787	11,473,025
1872	861,247,485	11,229,970
	4,035,904,086	54,261,657
Average	807,180,817	10,852,331
1873	989,954,098	13,007,488
1874	1,119,336,370	13,579,724
1875	1,114,628,810	13,392,516
1876	1,166,230,821	12,758,498
1877	1,304,935,496	14,261,397
	5,695,085,595	66,999,623
Average	1,139,017,119	13,399,925
1878	1,189,059,900	12,825,204
1879	1,205,563,900	12,421,110
1880	1,670,310,900	18,042,608
1881	1,639,743,500	17,480,229
1882	1,521,970,700	16,689,450
	7,226,648,900	77,458,601
Average	1,445,329,780	15,491,720
1883	1,653,073,000	17,475,244
1884	1,642,731,800	16,119,230
1885	1,564,636,600	15,477,366
1886	2,118,838,400	18,487,449
1887	1,811,964,500	16,456,430
	8,891,244,300	84,015,719
Average	1,778,248,860	16,803,144
1888	2,035,138,900	18,231,349
1889	2,001,153,400	17,399,475
1890	2,021,028,500	18,281,263
1891	1,836,391,900	16,738,635
1892	1,850,872,200	15,302,558
	9,744,584,900	85,953,280
Average	1,948,916,980	17,190,656

MESSRS. RALLI BROTHERS' COMPARATIVE TABLE OF INDIAN EXPORTS & IMPORTS, &c.

American Cotton Crop, Millions of Bales	1858	1859	1860	1861	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897
	3·99	4·82	3·83		no records			2·31	2·20	2·50	3·44	3·15	4·35	2·97	3·93	4·17	3·83	4·67	4·49	4·81	5·07	5·76	6·59	5·44	6·99	5·71	5·67	6·55	6·51	7·02	6·94	7·31	8·66	9·04	6·72	7·53	9·89	7·16	8·71	11·18
Aver. Price of Amer. Cotton per lb.	6¼d	6¾d	6¼d	8 5/16d	17½d	22 1/16d	25 1/16d	19d	15½d	10⅜d	10½d	12½d	9 13/16d	8 5/16d	10 7/16d	9d	8d	7⅞d	6¼d	6 15/16d	6¼d	6 1/16d	6 1/16d	6 1/16d	6 5/16d	6¼d	5⅞d	6d	5¼d	5¼d	5 9/16d	5 11/16d	6d	4 11/16d	4 15/16d	4¼d	3 13/16d	3 13/16d	4 1/16d	3 13/16d
Highest Rate of Council Drafts																1/10⅝	1/11½	1/10 5/16	1/10⅜	1/10½	1/9	1/8⅝	1/8⅝	1/8 1/16	1/8 5/16	1/7 11/16	1/8	1/7 13/16	1/6 15/16	1/6 7/16	1/5 1/16	1/4 13/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4	1/3⅞	1/2 7/16	1/2 5/16	1/3 3/16	1/3 3/16
Lowest „ „																1/9 5/16	1/9 1/16	1/9 1/16	1/6 1/16	1/8 5/16	1/6 1/16	1/6 1/16	1/7 3/16	1/7 5/16	1/7 5/16	1/7 3/16	1/6 11/16	1/5 13/16	1/4 15/16	1/4 13/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4	1/2⅝	1/2⅛	1/0 13/16	1/0 15/16	1/1 1/16	1/2 5/16

Imports		Exports
Cotton Piece Goods Quantity.	Value.	Value.
23 yds.		R 116
22·5 yds.		R 114
22 yds.		R 112
21·5 yds.		R 110
21 yds.		R 108
20·5 yds.		R 106
20 yds.		R 104
19·5 yds.		R 102
19 yds.	£20	R 100
18·5 yds.	£19.5	R 98
18 yds.	£19	R 96
17·5 yds.	£18.5	R 94
17 yds.	£18	R 92
16·5 yds.	£17.5	R 90
16 yds.	£17	R 88
15·5 yds.	£16.5	R 86
15 yds.	£16	R 84
14·5 yds.	£15.5	R 82
14 yds.	£15	R 80
13·5 yds.	£14.5	R 78
13 yds.	£14	R 76
12·5 yds.	£13.5	R 74
12 yds.	£13	R 72
11·5 yds.	£12.5	R 70
11 yds.	£12	R 68
10·5 yds.	£11.5	R 66
10 yds.	£11	R 64
9·5 yds.	£10.5	R 62
9 yds.	£10	R 60
8·5 yds.	£9.5	R 58
8 yds.	£9	R 56
7·5 yds.	£8.5	R 54
7 yds.	£8	R 52
6·5 yds.	£7.5	R 50
6 yds.	£7	R 48
5·5 yds.	£6.5	R 46
5 yds.	£6	R 44
4·5 yds.	£5.5	R 42
4 yds.		R 40
		R 38
		R 36
		R 34
		R 32



The Indian Imports (*i.e.* from Great Britain) are expressed as to quantity in 100 millions of yards (in *Black*) as to value in millions of £ (in *Red*)

The Indian Exports are expressed in millions of Rx (in *Green*).

Thousands of Miles of Railway open	0·7	1·0	1·6	2·2	2·6	2·7	3·5	3·6	4·0	4·0	4·8	5·1	5·4	5·7	6·2	6·5	6·9	7·3	8·2	8·5	9·3	9·9	10·1	10·8	12·0	12·4	13·4	14·4	15·2	16·1	16·4	17·3	17·8	18·5	18·8	19·5	20·1	21·0

American Cotton Crop, Millions of Bales	1858	1859	1860	1861	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897
Aver. Price of Amer. Cotton per lb.	6¼d	6¾d	6¼d	8 5/16d	17½d	22 1/16d	25 1/16d	19d	15½d	10⅜d	10½d	12½d	9 13/16d	8 5/16d	10 7/16d	9d	8d	7⅞d	6¼d	6 15/16d	6¼d	6 1/16d	6 1/16d	6 1/16d	6 5/16d	6¼d	5⅞d	6d	5¼d	5¼d	5 9/16d	5 11/16d	6d	4 11/16d	4 15/16d	4¼d	3 13/16d	3 13/16d	4 1/16d	3 13/16d
Highest Rate of Council Drafts																1/10⅝	1/11½	1/10 5/16	1/10⅜	1/10½	1/9	1/8⅝	1/8⅝	1/8 1/16	1/8 5/16	1/7 11/16	1/8	1/7 13/16	1/6 15/16	1/6 7/16	1/5 1/16	1/4 13/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4	1/3⅞	1/2 7/16	1/2 5/16	1/3 3/16	1/3 3/16
Lowest „ „																1/9 5/16	1/9 1/16	1/9 1/16	1/6 1/16	1/8 5/16	1/6 1/16	1/6 1/16	1/7 3/16	1/7 5/16	1/7 5/16	1/7 3/16	1/6 11/16	1/5 13/16	1/4 15/16	1/4 13/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4 3/16	1/4 1/16	1/4	1/2⅝	1/2⅛	1/0 13/16	1/0 15/16	1/1 1/16	1/2 5/16

Imports		Exports
Cotton Piece Goods Quantity.	Value.	Value.
23 yds.		R 116
22·5 yds.		R 114
22 yds.		R 112
21·5 yds.		R 110
21 yds.		R 108
20·5 yds.		R 106
20 yds.		R 104
19·5 yds.		R 102
19 yds.	£20	R 100
18·5 yds.	£19.5	R 98
18 yds.	£19	R 96
17·5 yds.	£18.5	R 94
17 yds.	£18	R 92
16·5 yds.	£17.5	R 90
16 yds.	£17	R 88
15·5 yds.	£16.5	R 86
15 yds.	£16	R 84
14·5 yds.	£15.5	R 82
14 yds.	£15	R 80
13·5 yds.	£14.5	R 78
13 yds.	£14	R 76
12·5 yds.	£13.5	R 74
12 yds.	£13	R 72
11·5 yds.	£12.5	R 70
11 yds.	£12	R 68
10·5 yds.	£11.5	R 66
10 yds.	£11	R 64
9·5 yds.	£10.5	R 62
9 yds.	£10	R 60
8·5 yds.	£9.5	R 58
8 yds.	£9	R 56
7·5 yds.	£8.5	R 54
7 yds.	£8	R 52
6·5 yds.	£7.5	R 50
6 yds.	£7	R 48
5·5 yds.	£6.5	R 46
5 yds.	£6	R 44
4·5 yds.	£5.5	R 42
4 yds.		R 40
		R 38
		R 36
		R 34
		R 32

Thousands of Miles of Railway open	0·7	1·0	1·6	2·2	2·6	2·7	3·5	3·6	4·0	4·0	4·8	5·1	5·4	5·7	6·2	6·5	6·9	7·3	8·2	8·5	9·3	9·9	10·1	10·8	12·0	12·4	13·4	14·4	15·2	16·1	16·4	17·3	17·8	18·5	18·8	19·5	20·1	21·0

RALLI BROTHERS, MANCHESTER,
14th November, 1898.

Year.	Quantities.	Value.
1893 - -	1,888,291,200	15,779,536
1894 - - -	2,276,227,700	17,994,094
1895 - -	1,718,224,000	12,608,045
1896 - - -	2,038,024,500	16,066,316
1897 - -	1,759,140,600	13,474,593
	9,679,908,000	75,922,584
Average -	1,935,981,600	15,184,517

(B.)

EXPORTS OF COTTON YARN TO BRITISH INDIA.

Year.	Quantities.	Value.
	Lb.	£
1858 - - -	34,205,199	1,835,142
1859 - -	39,655,995	2,320,385
1860 - - -	27,334,571	1,609,062
1861 - -	22,897,511	1,402,530
1862 - - -	15,991,408	1,336,470
	140,084,684	8,503,589
Average -	28,016,937	1,700,719
1863 - -	20,864,609	2,613,237
1864 - - -	16,337,862	2,190,924
1865 - -	13,602,960	1,482,549
1866 - - -	19,849,406	2,166,107
1867 - -	23,368,151	1,947,058
	94,022,988	10,399,875
Average -	18,804,598	2,079,975
1868 - - -	25,371,283	1,893,915
1869 - -	22,410,196	1,833,561
1870 - - -	27,022,631	2,042,983
1871 - -	21,891,847	1,524,815
1872 - - -	22,619,530	1,737,842
	119,315,487	9,033,116
Average -	23,863,097	1,806,623
1873 - - -	26,171,936	1,910,918
1874 - -	35,339,769	2,500,759
1875 - -	30,352,110	2,147,207
1876 - - -	31,663,481	2,062,007
1877 - -	36,030,025	2,255,950
	159,557,321	10,876,841
Average -	31,911,464	2,175,368
1878 - - -	33,392,000	2,106,923
1879 - -	29,363,000	1,846,388
1880 - - -	44,097,000	2,832,872
1881 - -	40,183,300	2,518,098
1882 - - -	42,082,300	2,625,389
	189,117,600	11,929,670
Average -	37,823,520	2,385,934
1883 - -	42,172,400	2,555,188
1884 - - -	45,585,100	2,795,533
1885 - -	41,520,600	2,278,404
1886 - - -	46,605,800	2,471,142
1887 - -	48,852,400	2,516,677
	224,736,300	12,616,944
Average -	44,947,260	2,523,389
1888 - - -	54,069,000	2,711,844
1889 - -	45,354,300	2,250,292
1890 - - -	49,734,000	2,563,680
1891 - -	49,990,800	2,399,275
1892 - - -	39,505,200	1,754,541
	238,653,300	11,679,632
Average -	47,730,660	2,335,926
1893 - -	38,538,400	1,773,047
1894 - - -	39,996,600	1,643,254
1895 - -	41,070,600	1,627,360
1896 - - -	49,163,500	2,061,031
1897 - -	47,693,300	1,957,628
	216,462,400	9,062,320
Average -	43,292,480	1,812,464

(C.)

COTTON CROP OF THE UNITED STATES, AVERAGE PRICE OF MIDDLING UPLANDS IN EACH YEAR SINCE 1857, AND RATES OF INDIAN COUNCIL DRAFTS.

Year.	Crop.	Average Price.	Rates of Council Drafts.	
	Bales.		Highest.	Lowest.
			s. d.	s. d.
1858 -	3,994,481	6 7/8	—	—
1859 -	4,823,770	6 3/4	—	—
1860 -	3,826,086	6 1/4	—	—
1861 -	No records.	8 9/16	—	—
1862 -	—	17 1/4	—	—
1863 -	—	23 1/4	—	—
1864 -	—	27 1/2	—	—
1865 -	2,314,476	19	—	—
1866 -	2,204,089	18 3/4	—	—
1867 -	2,498,895	10 7/8	—	—
1868 -	2,439,039	10 1/2	—	—
1869 -	3,154,946	12 1/8	—	—
1870 -	4,352,317	9 15/16	—	—
1871 -	2,974,351	8 9/16	—	—
1872 -	3,930,508	10 9/16	—	—
1873 -	4,170,388	9	1 10 7/8	1 9 5/8
1874 -	3,832,991	8	1 11 1/2	1 9 3/4
1875 -	4,669,288	7 3/8	1 10 3/16	1 9 1/4
1876 -	4,485,423	6 1/4	1 10 3/16	1 6 1/2
1877 -	4,811,265	6 5/16	1 10 1/4	1 8 9/16
1878 -	5,073,531	6 1/8	1 9	1 6 3/4
1879 -	5,757,397	6 5/16	1 8 5/8	1 6 5/8
1880 -	6,589,329	6 1/16	1 8 3/8	1 7 3/4
1881 -	5,435,845	6 7/16	1 8 1/16	1 7 7/16
1882 -	6,992,234	6 5/8	1 8 3/16	1 7 1/16
1883 -	5,714,052	5 3/4	1 7 1/16	1 7 1/4
1884 -	5,669,021	6	1 8	1 6 15/16
1885 -	6,550,215	5 5/8	1 7 21/32	1 5 31/32
1886 -	6,513,623	5 1/8	1 6 1/16	1 4 9/16
1887 -	7,017,707	5 1/2	1 6 7/32	1 4 13/32
1888 -	6,935,082	5 9/16	1 5 1/16	1 4 1/32
1889 -	7,313,726	5 1/16	1 4 31/32	1 4 1/16
1890 -	8,655,518	6	1 8 15/16	1 4 29/32
1891 -	9,038,707	4 11/16	1 6 9/16	1 4 5/32
1892 -	6,717,142	4 9/16	1 4 11/16	1 2 5/8
1893 -	7,527,211	4 5/8	1 3 7/8	1 2 5/8
1894 -	9,892,766	3 15/16	—	—
1895 -	7,162,473	3 27/32	—	—
1896 -	8,714,011	4 17/32	—	—
1897 -	11,180,960	3 29/32	—	—

(D.)

EXPORTS OF MERCHANDISE FROM INDIA, AND LENGTH OF RAILWAYS OPEN IN EACH YEAR FROM 1858 TO 1897.

Year ended.	Exports.	Miles open.
April 30th	Rx.	
1858 - - -	—	—
1859 - -	—	—
1860 - - -	—	—
1861 - -	32,970,605	1,028
1862 - - -	36,317,042	1,584
	69,287,647	2,612
Average -	34,643,823	1,306
1863 - -	47,859,645	2,234
1864 - - -	65,625,449	2,581
1865 - -	68,027,016	2,747
1866 - - -	65,491,123	3,452
March 31st		
1867 - -	41,359,994	3,597
	288,863,227	14,611
Average -	57,772,645	2,922
1868 - - -	50,045,849	3,992
1869 - -	52,316,486	4,023
1870 - - -	52,471,375	4,766
1871 - -	55,331,825	5,072
1872 - - -	63,185,848	5,366
	273,351,383	23,219
Average -	54,670,277	4,644

Year ended.	Export.	Miles open.
	Rx.	
1873	55,236,295	5,672
1874	54,960,786	6,201
1875	56,312,261	6,497
1876	58,058,125	6,938
1877	60,961,632	7,322
	285,529,099	32,630
Average	57,105,820	6,526
1878	65,185,713	8,212
1879	60,893,611	8,492
1880	67,173,158	9,308
1881	74,531,282	9,892
1882	81,901,960	10,144
	349,685,724	46,048
Average	69,937,145	9,209
1883	83,400,865	10,784
1884	88,035,139	11,982
1885	83,200,528	12,376
1886	83,827,840	13,390
1887	88,428,660	14,383
	426,893,032	62,915
Average	85,378,606	12,583
1888	90,471,462	15,245
1889	96,978,171	16,095
1890	103,396,862	16,404
1891	100,135,722	17,283
1892	108,036,010	17,768
	499,018,227	82,795
Average	99,803,645	16,559
1893	106,535,997	18,459
1894	106,447,590	18,841
1895	108,814,999	19,466
1896	114,263,140	20,113
1897	103,914,297	21,015
	539,976,023	97,894
Average	107,995,205	19,579

(E.)

PROGRESS OF COTTON SPINNING MILLS IN ALL INDIA.

Year ending June 30th.	No. of Spindles.	Approximate Cotton Consumption, Bales of 392 lbs.
1861	338,000	65,000
1874	593,000	114,000
1876	1,100,112	198,000
1877	1,244,206	215,000
1878	1,289,706	225,000
1879	1,452,794	267,585
1880	1,461,590	307,631
1881	1,513,096	378,989
1882	1,620,814	397,562
1883	1,790,388	456,556
1884	2,001,667	531,365
1885	2,145,646	596,749
1886	2,261,561	643,204
1887	2,421,290	726,276
1888	2,488,851	786,982
1889	2,762,518	888,654
1890	3,274,196	1,008,462
1891	3,351,694	1,178,906
1892	3,402,232	1,165,938
1893	3,575,917	1,171,008
1894	3,649,736	1,222,508
1895	3,809,929	1,341,714
1896	3,932,946	1,409,318
1897	4,065,618	1,300,936

No. 36.

EXTRACTS from the REPORTS of TEA COMPANIES for the SEASON 1897.

(*Handed in by Mr. D. Cruickshank. See Q. No.* 9408.)

The Chandpore Tea Company, Limited (Sylhet).

"The result of the season is very disappointing, but the reasons are evident. First, the unfavourable weather, as stated above; second, the rise in exchange, 1*d.* being equivalent to a loss of over 600*l.* on the working of the garden."

The Majuli Tea Company, Limited.

"The difference in the cost of remittance for the working expenses in India, amounting to 2,196*l.*, is a serious item, equal to over 2 per cent. on the capital of the Company.

Attaree Khat Tea Company, Limited.

"Fortunately the loss by the higher rate of exchange has been considerably minimised by the directors having arranged beforehand for the bulk of the year's requirements at 1*s.* 2½*d.* exchange. It will be obvious how materially our position would have been affected if it had been necessary to provide funds at the current rate of about 1*s.* 4*d.*"

The Allynugger Tea Company, Limited.

"Unusual and serious difficulties have handicapped the industry, foremost amongst them being the high rate of exchange."

The Brahmapootra Tea Company, Limited.

"The directors regret the increased expenditure which the circumstances of the season have necessitated, and which has been seriously aggravated by the policy of the Government in artificially enhancing the sterling cost of the rupee."

The Dejoo Tea Company, Limited.

"The increase in the cost is accounted for by the short crop, heavy expenses for labour importation, higher rate of exchange."

The Assam Company.

"The circumstance that the Indian Government have been able to maintain the value of the rupee during the year at the level of about 1*s.* 4*d.*, has had the effect of considerably diminishing our profits, in common with those of all tea companies and other industries carried on in India with British capital."

The Borelli Tea Company, Limited.

"The high rate of exchange has seriously affected the working of the year."

The Chargola Tea Association, Limited.

"Exchange has again ruled higher and increased the cost of production by about 2,000*l.*, or, say, ¼*d.* per lb. The rise of the past two years in the value of the rupee means the loss of a sum equivalent to 5½ per cent. on the ordinary shares."

The East India and Ceylon Tea Company, Limited.

"The directors regret that the higher rate of exchange, the fall in the price of tea, and the enhanced cost of rice owing to the Indian famine, have reduced the profit of the year. The rise in the exchange alone during the past year, raised the cost of production ¼*d.* per lb., and is caused by the action of the Indian Government in artificially forcing up the value of the rupee."

Endogram Tea Company, Limited.

"The cost of the tea, including all expenditure chargeable to the year, was 6½*d.* per lb., the sterling cost of production being considerably enhanced by the rise in the Indian exchange."

The Lebong Tea Company, Limited.

"The average rate of exchange for the remittances of the year was 1*s.* 3*d.*, or ½*d.* more than last year. While, therefore, compared with the experience of others, the result is considered satisfactory, the reduced outturn, lower prices, and higher exchange combined have the effect of considerably reducing the profits from the figures of the last very prosperous years: Thus, 1896, nett profits = 12,682*l.*; 1897, net profits = 8,444*l.*

The Eastern Assam Company, Limited.

"The cost of production was high; 1$\frac{1}{16}$*d.* per lb. of this is accounted for by the higher exchange as compared with 1896."

The Empire of India and Ceylon Tea Company, Limited.

"During the year under review there has been a further rise in the exchange value of the rupee, which has helped to reduce profits."

The Assam Frontier Tea Company, Limited.

"The rate of exchange ruled about 1*d.* per rupee higher in 1897 than it did in 1896, and this is equal to a loss to the company of over 6,500*l.*"

The Lukwah Tea Company, Limited.

"The Company has, in common with other producing concerns in India, suffered during the past from the rise in the exchange value of the rupee, and should exchange be maintained at the artificial rate of 1*s.* 4*d.*, the adverse effect on the company's outlay will have to be reckoned with in future."

The Moabund Tea Company, Limited.

"Exchange ruled higher than in the previous year, and the cost of remitting the working expenses to India has thus been increased by 3,084*l.* in excess of the sum necessary to provide the same amount of rupees at rates obtained in 1896."

The British Indian Tea Company, Limited.

"The increase of 2,500*l.* in the estimate of the expenditure, as compared with the figures of 1896–97, is owing to the higher rate of exchange (1*s.* 4*d.* per rupee) entered this year."

The Jokai (Assam) Tea Company, Limited.

"The action of the Government of India in closing the mints, and thereby artificially raising the sterling exchange value of the rupee has added materially to the Indian expenditure; the loss in 1897, as compared with that of the previous year, amounted to 3,542*l.*, which would have been considerably increased but for the fact that the board had fixed exchange forward for the bulk of the Indian outlay to the 31st March last at 1*s.* 2½*d.* The difference on exchange for the current year, taking the rate at 1*s.* 4*d.*, will amount to 17,532*l.*, as compared with the company's average in 1895, or equal to 7 per cent. on the ordinary capital of the company. With the above facts of this particular case before them, shareholders will realise what the expense will be to the Indian producers generally, if the Government proposal to introduce a gold standard is carried out."

No. 37.

MEMORANDUM by Captain EDWARD FRERE MARRIOTT, I.S.C.

Of those issues which the Currency Committee has assembled to consider, which is the first and foremost on which it must pronounce? It is this: which of two possible currency policies would India be wise to adopt? Gold or silver monometallism?

To this issue alone I propose to address myself; for the argument in favour of silver monometallism as a currency policy for India is, to my mind, overwhelming.

What is it that more than aught else has driven the Government of India for years to seek a change from her silver standard policy? The belief, fostered by the pioneers of this question, that silver has for years been falling steadily in value,* and that it has become so untrustworthy as to be unfitted for its position as a standard. Is it strange that so false a belief has, as yet, but led to currency chaos?

I have written a small pamphlet, "The Indian Currency Question," published by Messrs. Kegan, Paul, Trench, Trübner & Co., in which I prove incontestably both that gold appreciated some 47 per cent. in 1892 as compared with its average value in 1867–77; and that silver in 1892 was of the same level of value as in 1873, and that, in the intervening period, it had neither risen nor fallen to any notable extent. There is nothing new in the theory of gold appreciation and silver stability. All single-minded students of the question whom I have met accept it; but the pamphlet should be useful to those who have not specially studied this aspect of the subject, or who, having studied it, are yet led by such an authority as Lord Farrer to deny the theory.

I need not here touch on the proofs of the appreciation of gold; but I may usefully put forward some arguments which prove the truth of silver stability.

I may point out that, if gold has been proved to have risen in 1893 some 47 per cent. in value above the average level of 1867–77, and if silver in the same period fell, as it did, 32 per cent. in price, the stability of the value of silver is thereby proved.† Inasmuch, however, as the truth or otherwise of the stability of silver between 1873 and 1893 is of great importance, I advance the following proofs of the matter.

In the year 1894 I was considering this question, and I chanced upon some tables of silver prices in China drawn up by Consul Jamieson, of Shanghai, and furnished to the Foreign Office in a report, "Miscellaneous Series," No. 305. From these tables I drew up and published silver index numbers of the prices of 43 commodities for the years 1882–92 inclusive; the average prices of the years 1870–74 were my standard of comparison, and these prices I represented by the number 100. The result was as follows:—

1870–74	100	1887	95·5
1882	96·1	1888	97·2
1883	99·4	1889	96·8
1884	92·4	1890	100·4
1885	92	1891	94·5
1886	100·1	1892	96·9

These figures give an average index number of 96·5, or a value for silver for the period in question of 3·5 above the level of 1870–74.

In the year 1896 Mr. Atkinson, of the Finance Department of India, who has drawn up many useful tables of prices, furnished the following figures to "The Pioneer." They are the export prices in India of certain commodities, and they are compared with the prices of the same commodities in 1871:—

1871	100	1887	92·7
1882–83	98·9	1888	95·9
1883	92·7	1889	99·6
1884	94·5	1890	103·9
1885	94·6	1891	98·2
1886	92·9	1892	100·4

These figures give an average index number of 96·8, or a value for silver, for the period in question, of 3·2 above the level of 1871.

The second corroboration of the general correctness of the index numbers which I obtained from prices in China is to be found in the third edition of Sir G. Molesworth's prize essay, "Silver and Gold," in which a diagram based on Soetbeer's Tables occurs. In this diagram we have gold and silver measured by a multiple, that is, an ideal standard; 114 commodities form this measure, and their average level is shown by a thick horizontal line. Arrays of figures may fail to

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* Value in its correct economical sense, *i.e.*, commodity value.

† The actual figures are instructive. Gold prices fell from an average of 100 in 1867–77 to 68 in 1892, a fall of 32 per cent. The price of silver fell from 58*d.* in 1867–77 to 39¾*d.* in 1892, a fall of 31½ per cent. The price of silver, therefore, fell almost exactly with the average price of commodities; in other words, silver remained perfectly stable in value up to 1892; and yet in that year the Government of India began to vehemently agitate for the overthrow of this most perfect standard of value.

carry conviction, but no one who has once glanced at this diagram and seen the gold line climbing alof , while the silver line clings round this ideal level of value, can fail to be impressed by the fact of the appreciation of gold and the stability of silver during the period dealt with.

I do not wish to deny that India ever since 1873, has had certain financial troubles to contend with; yet, considering with what really remarkable ease* the country met these troubles, we can never with justice consider that India was at any time on the verge of bankruptcy, or was ever in such financial ill-health as to require heroic remedies.

To what were these troubles due? The chief cause of her financial difficulties, and the one which dwarfed all others, was the rise in the value of gold, the rise, that is, in the value of the sterling measure of her indebtedness. From 1873 onwards all gold debtors had alike been bearing continually increasing burdens. Gold debtors, whether discharging their debts through gold or silver, have been suffering each to an equal extent, but it was only those who discharged debts through silver who were in a position to see the increase of the weight of the burden which they bore. The increase of the burden in the case of India was marked by the fall in the price of the rupee; but the fall in the price of the rupee was no more the cause of the increasing burden than the fall in the price of cotton in India, or of wool in Australia, was the cause of the increase in the burden of those gold-debtor countries; yet, on this fall in the price of the rupee have all eyes been fixed, as if it, and it alone, were the disease, and to cope with this imaginary disease has been the aim of recent legislation.

Now, I fully allow that the burden was heavy; indeed, had gold continued rising in value, gold debtors must in time have been compelled to repudiate a portion of their debts, and they would have been quite justified in doing so. But the burden in India was not due to a fall in the value of the rupee; and this is a point to bear clearly in mind.

The difficulty, then, which India had to face in 1893, in common with all gold debtors in the world, was the rise in the value of the sterling measure of her indebtedness. But this real difficulty was obscured by the all too evident fact of the fall of the rupee in price; this fall was regarded as the real source of difficulty, and this phantom trouble led minds to ignore the true issues.

There are those who would argue that, as far as India is concerned, it mattered little whether gold had risen or silver fallen in value. Such an argument is untenable. As far as India is concerned—as far, that is, as her power of meeting her debts is concerned—the value of her currency is of no importance whatever. India discharges her debt by the export of surplus produce. She has no surplus produce of silver; all the silver in the country has been imported by those who needed it either for currency, hoarding, or manufactures, and it is only by the exports of surplus produce that India can meet her debts. If it had been silver which had fallen in value, and gold which had remained stable, India would have had no added burden to meet. The debtor's measure of indebtedness is, in this connexion, of no account; it is clearly the value of the creditor's measure of indebtedness which alone affects the burden of debt.

Again, there are those who argue that as far as the Government of India is concerned it is of no consequence whether gold has risen or silver fallen in value. As regards the narrow question of the balances of Government ledgers, the argument can pass; but it is impossible to satisfactorily treat this great, if simple, question by peering through the narrow channel bounded by Government ledgers.

It is hard to conceive how mischievous to the controversy the false theory of the depreciation of silver has been. This parent error has given birth to many children; but the most misleading of the whole brood is the one which has induced a belief in the worthlessness of silver as a standard value, and has led India to agitate for its dethronement.

Mr. Dunning Macleod's latest pamphlet on the Indian currency is rendered futile by his adherence to this monstrous superstition. He writes of India's adoption of a silver standard as a matter of regret, and her final refusal of gold as a calamity. When shall we clearly understand that, until legislation was directed against silver, India possessed the most perfect standard of value in the world, and a medium of exchange exactly suited to her requirements? One writer only on these subjects has, as far as I know, fully recognised this, and I may be permitted to quote his wise words. Mr. Lloyd, in *The Statist*, of the 6th August last, in considering the question as to who gains and who loses by a fall in exchange, wrote:—"The stimulus, then, to the "Indian export trade and to Indian production, was "given by the steadiness of the value of silver, at a "time when gold was rising so much in purchasing "power. In other words, India benefited from the "excellence of her own currency system."*

If we set out from the starting point of gold appreciation and silver stability we can arrive at but one solution of the Indian currency problem, and the solution is to return to free silver monometallism under which India flourished greatly.

Before the fatal 26th June, 1893, India, thanks chiefly to her admirable currency conditions, and in spite of the growing burden of her sterling debt, was enjoying a fair measure of prosperity. But in one part of the horizon a cloud lay, and the rulers of India were oppressed with a sense of coming disaster. This cloud had begun to form in 1873, and had been continually growing larger; it threw a shadow over gold-debtor nations, and shed a depressing influence over gold-using countries. But its nature remained for long unrecognised. Silver countries saw their currencies falling apparently in value, and attributed the phenomenon to the depreciation of silver caused by the increasing supplies of that metal. Gold-currency countries attributed the oppression to over-production, strikes, and other imaginary causes. But the increased demand for gold, and the consequent contraction of the gold currency, was the one sinister influence affecting all alike. Yet so blind are the nations even now to the real cause of their troubles, that many of them, following the example set by India, are joining in the scramble for gold, and are thereby intensifying the evils from which they suffer. If the problem were rightly understood, and if India and the countries which have followed her example were to avoid the further use of gold, they would see the cloud which menaces the future melting away before the greatly increasing supply of gold which this decade is witnessing. The day, indeed, of the discovery of the Witwatersrandt Goldfields was the beginning of the end of the currency troubles which have been threatening the civilised world.

Such is a true presentment of the problem, and the evident solution of it for India is to return to her old established silver monometallic policy; to avoid, as far as possible the use of gold, and to allow the enormously increased and increasing supplies of gold to have their natural effect in gradually lowering its value.

India, then, should repeal the legislation of 1893, and should let a free and elastic currency once more circulate through her arteries. Under such conditions silver would approximate to the level it held in 1893 just before the mints were closed;† trade and commerce moreover would so flourish, that the expanding revenues would, I doubt not, meet the additional rupee expenditure which would be required. But if even then some further taxation were found necessary, surely a scheme for increasing the revenues could be devised less injurious to the country than one which strangles commerce, stifles trade, and tends to throw the country back into the barbarous condition where money is unknown, and transactions are the subject of barter.

Under the silver depreciation theory it is very generally held that a return to open mints would mean

* The year 1892 was the fourth of a series of years of uninterrupted surpluses.

* I should add that Mr. M. de P. Webb, in an admirable article in the "Bimetallist" for July, 1898, has also recognised, and has forcibly insisted on this economical truth.

† At the beginning of 1898 the Japanese currency legislation was held to be a bar to a return to open mints in India, for it was argued, and justly, that while this legislation continued the rupee could not rise above 11*d*. Mr. A. M. Lindsay, in speaking to me on the subject laid stress on this point, and I understood him to say that, but for Japanese legislation, he would look on a return to open mints as the preferable policy. Now this legislation, as a measure affecting the position of silver, is dead. The yen ceased to be legal tender on the 31st March 1898, and ceased to be exchangeable for gold, under the Act, on the 31st July 1898; a most important consideration.

a fall of the rupee to 9*d.* or lower, and in the end a practically unlimited fall.

Knowing, as we do, that the fall of the rupee in gold price was, up to 1893, due solely to the rise in the value of gold, and that, until legislation was directed against it, silver never fell notably in value, we may rightly conclude that a return to the currency conditions which ruled before 1893, would imply a return to silver stability, and that the level of the value of gold would again be practically the sole factor in the change of the gold price of the rupee. And since such a policy would imply the cessation in the prospective demand for gold, and since this policy would sooner or later be followed by all would-be gold standard countries, it would have a world-wide effect in lowering the demand for gold, and gold would fall in value and the rupee rise in price; and year by year the revenues of India under a free and elastic currency policy would expand, and her expenditure as the gold burden grew less would diminish, and the country would enter upon an era of great prosperity.

Prosperity immediate and increasing would be the certain reward of the acceptance of the simple policy, I, and those who think with me, advocate. What have the advocates of gold monometallism to offer? A great initial expenditure, an increase in the amount of the sterling debt, and an increase in the weight of the whole burden of debt due to the increased value of gold which the demand by India for gold would lead to; several years of money scarcity,* dear capital, stringent markets, and currency conditions adverse to the increase of commercial enterprises, and to the general prosperity of the country, and all to secure a standard of value less stable than silver, and less suited to India's needs.

It was the growth in the value of gold which alone caused the pressure of expenditure to be felt in India for so many years; it was this growth which caused the rupee to seem to be ever growing less and less in value, and which led the Government to devise schemes to prevent its continuous fall; but this growth has now ceased, and Sauerbeck's index numbers proclaim that a slow and teady fall in the value of gold has begun.

It is interesting to see what a great financier has to say in regard to this increasing supply of gold. On page 253 of Part I. of the Minutes of Evidence this witness says:—"You would do a service to Europe if "you were to gradually utilise this extraordinary "surplus of gold." The witness means that India would do a service to the gold creditors of Europe; that is true, but India would be doing a great disservice to herself, and to every other gold debtor in the world. Such evidence as this from such a source points unmistakably to the road India should take. *The course which the gold creditor would take is the one which the gold debtor should carefully avoid.* India must legislate with a single eye to her own interests; she cannot pause to consider the interests of gold creditors who are likely to suffer to some extent by the fall in the value of gold which is impending.

It is unnecessary to point out to the advocates of gold monometallism the difficulties, and even dangers, attendant on the adoption of a gold standard for India. For one thing, the huge initial cost of obtaining gold must be faced, and cannot, as Lord Rothschild points out, be avoided by any currency scheme, however skilfully devised.

And, for those who understand that stability is the one prominent virtue in a standard, and who recognise that silver possesses this virtue in an unusual degree, the question before the Currency Committee is answered. Silver has long been accepted by the millions of India as a medium of exchange suitable to their needs; if, in addition, it possesses the stability required in a standard of value, then there is no commodity in the world which could with advantage take its place in India.

My arguments in favour of silver monometallism for India are as follows, each of the following propositions are, to my mind, of more weight on the side of a silver standard than any which the gold standard advocate can produce:—

(1.) Silver, until the passing of the adverse legislation of 1893, was stable in value, and therefore prominently fitted to India's needs, both as a standard and a medium of exchange.

(2.) The increase in the value of gold between 1873 and 1893 was alone responsible for the increase in the burden of indebtedness which India bore, and silver was innocent of blame.

(3.) The value of gold, according to Sauerbeck's index numbers, is even now ebbing, and would most certainly fall more rapidly if India withdrew from the gates of the gold market, a fall which would proportionately lighten India's gold burden.

(4.) The adoption of a gold standard, in itself a most costly and burdensome policy, would necessarily tend to increase the real burden of the sterling debt.

(5.) A rupee forced above its natural silver level must injuriously affect export trade, the trade, that is, on which the real prosperity of a country depends.

(6.) A rupee at its natural level, destined to rise in price as gold falls in value, would be at least as attractive to western capital as any other currency policy which could be devised.

The advantages of gold monometallism are almost entirely imaginary. I have never met but one argument in its favour which is really worth consideration. It is urged that linking India's currency system with that of England would encourage the flow of western capital to India. It would do so, but so would any fixed currency policy; and nothing could better promote the flow of capital than the conditions which would rule under a return to silver monometallism. For were the legislation of 1893 repealed, the rupee would fall to a fixed level, and inasmuch as the repeal would deal a deadly blow at gold ascendancy and limit the possible demand for gold, we should certainly see its value, under constantly increasing supplies, falling, gradually falling, no doubt, but still falling in value, and this implies a rise in the price of the rupee. The conditions of a rising rupee would plainly be very favourable for the attraction of western capital.

A return to open mints should alarm no one. If the Secretary of State were to press the sales of council bills, the rupee would gradually fall until it reached a price of, say 1s. 2*d.* If, then, the mints were re-opened to silver, silver would rise considerably, and the rupee fall slightly, until an equilibrium were reached, which would be at about 35*d.* an ounce for silver, and 1s. 1$\frac{1}{2}$*d.* for the rupee (*vide* note). The disturbance to trade even in the silver market would not be great, and certainly no greater than that occasioned by the passing of the currency legislation of 1893.

When we have once grasped the fact that silver is an admirable standard of value, we could never, I think, agitate for its dethronement; and when we have once recognised that the adoption of a gold standard must increase the value of gold, and, *pro tanto*, the weight of the burden of the sterling debt, we could never, I think, be so unwise as to enthrone gold as the standard of value for India.

EDWARD FRERE MARRIOTT.

Athenæum Club, Pall Mall, S.W.,
10th December, 1898.

NOTE.—To what level would the rupee fall if the mints were re-opened? This question is of great importance to the Indian Government, but I have seen no reasoned answer to it. Vague suppositions that the rupee would fall to 9*d.* or even lower, float about; but these are but the offspring of the parent error, the depreciation of silver. Let us examine the question.

The price of the rupee, when the mints are open, depends on two factors—the value of gold, and the value of silver. The value of gold we can, with the help of index numbers, determine with some exactness. It stands abour 4 per cent. higher than in May 1893, just before the mints were closed. The value of silver is not so easily determined, but it depends, in the long run, like every other commodity, on the cost of production, supply and demand. The cost of production, in spite of some advance in the treatment of refractory ores, is practically unchanged, and the supply of silver has scarcely altered. The conditions of demand alone have changed, but the change is due chiefly to the Indian legislation. Let India repeal this legislation, and the conditions which made for the value of silver in May, 1893, would be practically restored. If, there-

* It would naturally take some years to establish a gold "currency." Lord Rothschild, Minutes of Evidence, p. 286, Pt. I.

fore, the mints were re-opened, silver, owing to the higher value of gold, would be some 4 per cent. lower in price than in May, 1893, and would probably stand at about 36*d*. I do not think that silver, if it again were freely coined in India, could rise to less than 35*d*. an ounce, and this means a price for the rupee of 1*s*. $1\frac{7}{16}$*d*.

I would ask those who hold that, on the mints being opened, the rupee might fall to 10*d*. or lower, whether this fall is to come about owing to (1) a rise in the value of gold, or to (2) a fall in the value of silver. If to (1), I would ask how mints open to silver can increase the value of gold; if to (2), I would ask how increased facilities for the flow of silver can lower the value of silver. It is clear, of course, that open mints would lead to a considerable rise in the value of silver; and to me it seems self-evident that the rise would reach a level approximating to that held by silver in May, 1893, before the mints were closed; and it is unquestionable that, with mints open to the free coinage of silver, the price of silver and of the rupee would, year by year, steadily rise as gold, under the pressure of "this extraordinary surplus of gold" gradually falls in value.

No. 38.

MEMORIAL FROM WEST OF SCOTLAND MANUFACTURERS.

SIR, 17th December, 1898.

WE, the undersigned manufacturers, in the West of Scotland, of cotton and other goods for the Indian markets, desire to put a brief statement before your Committee, showing the effects of exchange fluctuations upon our trade.

We have some reluctance in doing so, but we note from the Blue Book, recently published, that evidence has been given, not only by export and import merchants dealing with India, but also by the tea producers there; while the British manufacturer of goods for the Indian markets has not been represented.

We desire to draw your attention to the following points:—

A. The point brought out by Sir Francis Mowatt (Questions 4290/91 of the Blue Book, Indian Currency Committee, 1898), that it is the producer in India, and the producer in this country, who are properly comparable, is of much importance, as showing that the latter is equally entitled with the former to a fair share of consideration.

B. The unlimited coining of depreciating silver from 1874 to 1893 for all comers, and the consequent fall in the basis of exchange, had a serious effect upon British industries. The extra rupees required to cover the sterling costs were often not to be obtained, or if obtained, it was only after a prolonged delay—the result being that the British manufacturer had frequently to work without profit and often at a loss.

While on this point, we would call your attention to question and answer 6110 of the Blue Book, in which it is stated that Glasgow and Manchester exporters do not require to enter into any transactions unless they choose. This may be the case of the merchant, but the manufacturer, whose machinery is adapted chiefly for the Indian trade, must continue producing, even at considerable loss, rather than face the complete stoppage of his mills or dyeworks, and the disbanding of his trained employees.

Further, when exchange is fluctuating, the Indian buyer, who cannot foresee the rate of exchange at which payment will be made, is chary of making sterling purchases of goods which cannot be delivered for many months to come.

But if he does make such a purchase, and finds, on coming to pay the price, that the exchange has gone against him, and that he has to remit more rupees than he contemplated when he placed the order, he frequently finds some means of repudiating his purchase, with the result that the British producer becomes a heavy loser.

If any actual proof of the effects of exchange upon our trade were required, we could show (1) that the years of a low or falling rupee were years of restricted output and unprofitable business; (2) that, with the gradual rise of the rupee since 1895, a decided improvement set in, and that, too, in spite of war, plague, and famine in India; and (3) that, in particular, we have benefited by the steadiness of the rupee during the present year.

C. It seems to us that the view put forward, before your Committee, by some advocates of open mints—viz., that India has benefited by a falling exchange, and that the more the currency of a country depreciates, so much the more does its productive power increase—is a most fallacious one, and opposed to all experience. We submit that the strong standard countries are the best producers and exporters, and in India itself, in the years prior to 1874, when exchange was about 2*s*., the average yearly increase in exports, reduced into sterling at the current exchange, was larger than it has been under the declining rupee. We believe that a stable exchange is necessary to secure the proper development of trade in India, and also to gain the confidence of the capitalist to invest there. On this point we beg to refer you to the accompanying statement, prepared by a competent authority, of the statistics of Indian trade for the past forty-one years.

D. We note that one of the suggestions of the open mint advocates, in order to meet the increased taxation which would be necessary were the mints re-opened, is to increase the import duties. Against any such increase we would respectfully protest.

E. In conclusion, we would venture to express our agreement with Sir Samuel Montagu (Blue Book 6627), that it "would be the height of "folly to have the Indian mints alone opened, "and no other mints, either in the old or the "new world."

We believe that the Government of India, in adhering strenuously to the recommendations of the Herschell Committee, as given effect to in their currency policy since June, 1893, with such further measures as may appear desirable for strengthening and establishing that policy, would be acting for the best interests of all who have business connections with India either as exporters or importers.

We have, &c.
J. & W. CAMPBELL,
J. R. COCHRANE & Co.,
ALEX. Y. MACLAURIN & Co.,
COCHRANE & FLEMING,
JOHN FREW,
JOHN GLEN,
JOHN GALLOWAY,
ALEXANDER BALFOUR & Co.,
GUTHRIE & MCARLY,
UNITED TURKEY RED COY., LD.,
John Christie, *Chairman*,
T. P. MILLER & Co.,
ALEXR. REID & SONS,
J. & M. P. BELL & Co., LD.,
Joseph Turner, *Secretary*.
J. J. COCHRANE & Co.,
JOHN LEAN & SONS.

To the Right Honourable
Sir Henry H. Fowler, G.C.S.I., M.P.,
Chairman of the Indian Currency Committee.

From Messrs. GEORGE WILSON & Co., Dalmarnock Weaving Factory, Glasgow.

DEAR SIR, 22nd February 1899.

HAVING seen the memorial addressed to Sir Henry Fowler, as Chairman of the Indian Currency Committee, by 15 firms in this neighbourhood, dated 17th December last, we desire to add our name thereto.

We are proprietors of four large cotton mills, and have had extensive business with India for the last 30 years.

We are, &c.,
GEORGE WILSON & Co.

Robert Chalmers, Esq

STATEMENT accompanying above MEMORIAL.

INDIAN TRADE, &c.—41 years—1857-8 to 1897-8.

1. The Table below is specially prepared to show the sterling equivalents, at the varying rates of exchange, of the merchandise and treasure, imported and exported, during the last 41 years, in order to rectify many wrong deductions that have been made by comparing rupee figures, at a lower exchange, with rupee figures at a higher.

2. The general result, as regards exports of merchandise, is that in the 15 years prior to 1872, when exchange ranged round about 2*s*., exports increased steadily from the equivalent of $27\frac{5}{10}$ millions sterling to $63\frac{2}{10}$ millions sterling, *or at the average rate of* $2\frac{1}{2}$ *millions sterling yearly*. In this period the 3 years, 1863–6, are exceptional, the increased value of about 18 millions sterling, yearly, being mainly due to the very high prices of cotton caused by the American Secession War; but, apart from this, there was a steady average yearly increase of $2\frac{1}{2}$ millions. Had this increase continued at the same ratio during the last 26 years of declining exchange, *the exports would now have amounted to the equivalent of* 128 *millions instead of* $64\frac{1}{10}$ *millions last year*. This fact completely disposes of the popular fallacy that a depreciating currency enriches a country by promoting production and increasing exports. The reverse is the true state of the case. As an instance, the paper currency of the Argentine Republic, which stood relatively to gold at 361 premium in 1891, equal in sterling to only $10\frac{5}{16}d$. per currency dollar, has since steadily and gradually improved until now the premium on gold is reduced to about 125, or the equivalent in sterling of 1*s*. 9*d*. per currency dollar; and this advance in the value of the currency, from $10\frac{5}{16}d$. to 1*s*. 9*d*. per dollar, has been attended by the best general results to the trade and prosperity of that country. Further, it is a matter of common knowledge, that, all over the world, the countries with strong and stable exchanges are the largest exporters.

3. Another striking feature is that, when exchange begins to decline, the sterling equivalents of exports fall off. This will be noticed by comparing 1871–2 with 1873–4, 1877–8 with 1879–9, 1883–4 with 1884–5, 1891–2 with 1892–3, 1893–4 with 1894–5. This shows that, on a fall in exchange, rupee prices, as a whole, do not, *at once*, obtain an equal equivalent rise; that there is first the higgle-haggle of the market, depending mainly on the position of each article, and, so long as this equivalent rise is not obtained, the produce growers suffer from the fall in the rupee, and the exports are less effective for taking off Council drawings and imports. On the other hand, it will be noticed that the greatest increase in exports, during the past 26 years, was in the 6 years 1878–9 to 1883–4, while exchange kept fairly steady at 1*s*. 8*d*. and 1*s*. $7\frac{3}{4}d$. During these 6 years exports increased from $50\frac{8}{10}$ millions to $72\frac{5}{10}$ millions, an average of $3\frac{1}{2}$ millions sterling yearly. The true inference from all this seems to be that, while exchange is declining, produce growers do not *immediately* get the equivalent of the decline in advanced rupee prices; that, while it is advancing, they have not *immediately* to concede the equivalent of the advance; so that an advancing exchange is for the benefit of the produce growers. Also, while exchange remains steady, prices adjust themselves, tend to confidence, and lead to increased exports. It would further appear that, in the present condition of India, looking to the fair adjustment of all interests concerned, a ratio of 1*s*. 8*d*., or 12 rupees to the sovereign, is what would most tend to develop trade, and be most equitable as between the seven great interests involved, viz.:—

(1) The Government and the taxpayers.

(2) The public creditor—*i.e.*, the holders of the rupee debt. Of the present 105 crores of rupee debt, 89 crores were issued when exchange was about 2*s*.

(3) The wage-earners, (including all salaried men, from the Viceroy to the coolie), and their employers. Wages, if exchange were about 1*s*. 8*d*., would correspond more nearly to the price of food than they do at present, and would be more in accordance with the rate of exchange at which they were generally fixed.

(4) Debtors and creditors.

(5) The holders of the coined rupees in circulation, who lose the whole of any depreciation.

(6) The producers in India, } both of whom lose, by
(7) The producers outside India, for the wants of India, } a fall in exchange, until prices adjust themselves thereto.

Bankers and merchants (so far as they are mere middlemen), are affected by variations in exchange only on their current outstanding transactions, on some favourably, on others unfavourably, and they can very readily adjust their subsequent working to any altered ratio.

4. It should also be noticed how steady the 5-years' average balance of exports over imports has been since 1867—about 20 millions sterling; but that the years that show best in this respect (leaving out 1862-7, already referred to as exceptional) were 1881–2 to 1883–4, when exchange was 1*s*. 8*d*. and 1*s*. $7\frac{3}{4}d$. This circumstance would also seem to point to a 1*s*. 8*d*. ratio as the most desirable on a just and equitable consideration of all the interests concerned. It should also be noticed that 1*s*. 8*d*. is about the average exchange of the 41 years ending 31st March, 1898—*i.e*, since India was transferred from the East India Company to the Crown.

December 1898.

Official Years.	Exchange — Yearly Average.	Exchange — 5 Years' Average.	Imports of Merchandise.				Exports of Merchandise.				Surplus of Exports over Imports.			
			Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenth.	
			Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.
	s. d.													
1857-8	2 0		15,28		15·3		27,46		27·5		12,18		12·2	
1858-9	2 0	*s. d.*	21,73		21·7		29,86		29·9		8,13		8·1	
1859-60	2 0	2 0	24,27	21,42	24·3	21·4	27,96	30,91	28	30·9	3,69	9,49	3·7	9·5
1860-1	2 0		23,49		23·5		32,97		33		9,48		9·5	
1861-2	2 0		22,32		22·3		36,32		36·3		14,00		14	
			107,09		107·1		154,57		154·7		47,43		47·5	
1862-3	2 0		22,63		22·6		47,86		47·9		25,23		25·3	
1863-4	2 0		27,15		27·1		65,63		65·6		38,48		38·5	
1864-5	2 0	2 0	28,15	27,31	28·2	27·3	68,03	57,77	68	57·8	39,88	30,46	39·8	30·5
1865-6	2 0		29,60		29·6		65,49		65·5		35,89		35·9	
1866-7	2 0		29,04		29		41,86		41·8		12,82		12·8	
(11 Months).			136,57		136·5		288,87		288·8		152,30		152·3	
1867-8	2 0		35,71		35·7		50,87		50·9		15,16		15·2	
1868-9	2 0		35,99		36		53,06		53·1		17,07		17·1	
1869-70	2 0	2 0	32,93	34,24	32·9	34·2	52,47	54,99	52·4	55	19,54	20,75	19·5	20·8
1870-1	2 0		34,47		34·5		55,34		55·3		20,87		20·8	
1871-2	2 0		32,09		32·1		63,19		63·2		31,10		31·1	
			171,19		171·2		274,93		274·9		103,74		103·7	
1872-3	1 11		31,87		30·5		55,25		52·9		23 38		22·4	
1873-4	1 10½		33,82		31·7		55,00		51·6		21,18		19·9	
1874-5	1 10½	1 10	36,22	35,65	33·6	32·6	56,36	57,14	52·3	52·3	20,14	21,49	18·7	19·7
1875-6	1 9¾		38,89		35·2		58,10		52·7		19,21		17·5	
1876-7	1 8½		37,44		32		61,01		52·1		23,57		20·1	
			178,24		163		285,72		261·6		107,48		98·6	
1877-8	1 9		41,46		36·3		65,22		57·1		23,76		20·8	
1878-9	1 8		37,80		31·5		60,94		50·8		23,14		19·3	
1879-80	1 8	1 8¼	41,17	44,53	34·3	37·4	67,21	69,98	56	58·8	26,04	25,45	21·7	21·4
1880-1	1 8		53,12		44·3		74,58		62·1		21,46		17·8	
1881-2	1 8		49,11		40·9		81,97		68·3		32,86		27·4	
			222,66		187·3		349,92		294·3		127,26		107	
1882-3	1 7¾		52,10		42·9		83,49		68·7		31,39		25·8	
1883-4	1 7¾		55,28		45·5		88,17		72·5		32,89		27	
1884-5	1 7½	1 7	55,70	56,10	45·3	44·2	83,26	85,45	67·6	67·4	27,56	29,35	22·3	23·2
1885-6	1 6¾		55,66		42·3		83,88		63·8		28,22		21·5	
1886-7	1 5½		61,78		45		88,47		64·5		26,69		19·5	
			280,52		221		427,27		337·1		146,75		116·1	
1887-8	1 5		65,00		46		90,54		64·1		25,54		18·1	
1888-9	1 4⅓		69,44		47·7		97,05		66·7		27,61		19	
1889-90	1 4⅛	1 5	69,20	69,01	48·3	49	103,46	99,89	72·2	71	34,26	30,88	23·9	22
1890-1	1 6½		71,98		54·7		100,23		76·2		28,25		21·5	
1891-2	1 4⅛		69,43		48·5		108,17		75·5		38,74		27	
			345,05		245·2		499,45		354·7		154,40		100·5	
1892-3	1 3		66,27		41·4		106,60		66·6		40,33		25·2	
1893-4	1 2⅓		77,02		46·5		106,50		64·4		29,48		17·9	
1894-5	1 1⅛	1 2⅛	73,53	73,17	40·6	43·3	108,91	108,06	60·1	64	35,38	34,89	19·5	20·7
1895-6	1 1⅛		72,94		41·8		114,33		65·5		41,39		23·7	
1896-7	1 2⅓		76,10		46		103,98		62·8		27,38		16·8	
			365,86		216·3		540,32		319·4		174,46		103·1	
Total, 40 Years	—	—	1,807,18	—	1,447·6	—	2,821,05	—	2,285·5	—	1,013,87	—	837·8	—
Average, 40 Years	1 8½	—	45,18	—	36·2	—	70,52	—	57·1	—	25,34	—	20·9	—
1897-8	1 3¾	—	73,63	—	48·3	—	97,64	—	64·1	—	24,01	—	15·8	—

1857-8 to 1897-8.

Gold: Net Imports.				Silver: Net Imports.				Gold and Silver: Net Imports.				Council Drawings.			
Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents Millions and Tenths.	
Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.
2,78		2·8		12,22		12·2		15,00		15		63		·6	
4,42		4·4		7,73		7·7		12,15		12·1		—		—	
4,28	4,18	4·3	4·2	11,15	9,10	11·1	9·1	15,43	13,28	15·4	13·3	—	36	—	·4
4,23		4·2		5,33		5·3		9,56		9·5		—		—	
5,18		5·2		9,09		9		14,27		14·2		1,20		1·2	
20,89		20·9		45,52		45·3		66,41		66·2		1,83		1·8	
6,85		6·8		12,55		12·6		19,40		19·4		6,66		6·6	
8,90		8·9		12,80		12·8		21,70		21·7		9,01		9	
9,84	7,03	9·8	7	10,08	12,21	10	12·2	19,92	19,24	19·8	19·2	6,82	7,08	6·8	7
5,72		5·7		18,67		18·7		24,39		24·4		7,05		7	
3,84		3·8		6,96		7		10,80		10·8		5,84		5·6	
35,15		35		61,06		61·1		96,21		96·1		35,38		35	
4,61		4·6		5,59		5·6		10,20		10·2		4,28		4·1	
5,16		5·1		8,60		8·6		13,76		13·7		3,83		3·7	
5,59	4,24	5·6	4·2	7,32	5,79	7·3	5·8	12,91	10,03	12·9	10	7,20	7,00	7	6·7
2,28		2·3		94		1		3,22		3·3		9,01		8·4	
3,56		3·6		6,51		6·5		10,07		10·1		10,70		10·3	
21,20		21·2		28,96		29		50,16		50·2		35,02		33·5	
2,54		2·4		72		·7		3,26		3·1		14,70		13·9	
1,38		1·3		2,50		2·3		3,88		3·6		14,27		13·3	
1,87	1,51	1·7	1·4	4,64	3,32	4·3	3	6,51	4,83	6	4·4	11,74	13,86	10·8	12·6
1,55		1·4		1,56		1·4		3,11		2·8		13,75		12·4	
21		·2		7,20		6·2		7,41		6·4		14,86		12·7	
7,55		7		16,62		14·9		24,17		21·9		69,32		63·1	
47		·3		14,68		12·8		15,15		13·1		11,70		10·1	
[90]		[·7]		3,97		3·3		3,07		2·6		16,91		13·9	
1,75	1,92	1·5	1·6	7,87	7,16	6·6	6·1	9,62	9,08	8·1	7·7	18,35	17,50	15·3	14·6
3,66		3·1		3,89		3·2		7,55		6·3		18,33		15·2	
4,84		4		5,38		4·5		10,22		8·5		22,21		18·4	
9,82		8·2		35,79		30·4		45,61		38·6		87,50		72·9	
4,93		4·1		7,48		6·2		12,41		10·3		18,59		15·1	
5,46		4·5		6,41		5·3		11,87		9·8		21,62		17·6	
4,67	4,00	3·8	3·2	7,25	7,98	5·9	6·3	11,92	11,98	9·7	9·5	17,10	17,51	13·8	13·8
2,76		2·1		11,61		9·8		14,37		10·9		13,53		10·3	
2,18		1·6		7,16		5·2		9,34		6·8		16,70		12·1	
20,00		16·1		39,91		31·4		59,91		47·5		87,54		68·9	
2,99		2·1		9,23		6·6		12,22		8·7		21,81		15·4	
2,81		1·9		9,25		6·4		12,06		8·3		20,90		14·3	
4,62	3,69	3·2	2·6	10,94	10,52	7·6	7·5	15,56	14,21	10·8	10·1	22,42	21,88	15·5	
5,64		4·3		14,18		10·8		19,82		15·1		21,19		16	
2,41		1·7		9,02		6·3		11,43		8		23,08		16·1	
18,47		13·2		52,62		37·7		71,09		50·9		109,40		77·3	
[2,81]		[1·8]		12,86		8		10,05		6·2		26,48		16·3	
64		·4		13,72		8·3		14,36		8·7		15,72		9·5	
[4,97]	[·46]	[2·7]	[·2]	6,33	9,07	3·5	5·4	1,36	8,61	·8	5·2	30,97	26,01	16·9	15·2
2,53		1·5		6,58		3·8		9,11		5·3		31,09		17·7	
2,29		1·4		5,86		3·5		8,15		4·9		25,79		15·5	
[2,32]		[1·2]		45,35		27·1		43,03		25·9		130,05		76·2	
130,76	—	120·4	—	325,83	—	276·9	—	456,59	—	397·3	—	556,04	—	428·7	—
3,27	—	3	—	8,14	—	6·9	—	11,41	—	9·9	—	13,90	—	10·7	—
4,91	—	3·2	—	8,47	—	5·6	—	13,33	—	8·8	—	14,72	—	9·5	—

No. 39.

MEMORANDUM by Mr. F. C. HARRISON, supplementing his EVIDENCE on the VOLUME of the RUPEE CIRCULATION.

1. Answers Nos. 2436 and 2455.

The recent census shows that rupees have probably come out from hoards in consequence of the famine. So far as we can judge from the census, the quantity does not appear to be considerable. I do not think the circulation of 1898 is greater than that of 1897.

2. TABLE on page 89 of Part I. of the Evidence.

The following columns can now be added to the table.

	1898.		1898.
W. IV.	·48	1883	1·08
1840 1st issue	4·08	1884	2·16
„ 2nd „	12·61	1885	3·99
1862–73	21·09	1886	2·32
1874	1·02	1887	4·31
1875	1·24	1888	3·47
1876	1·5	1889	3·89
1877	4·49	1890	6·61
1878	3·01	1891	3·60
1879	2·64	1892	5·75
1880	2·69	1893	4·82
1881	·37	Miscellaneous	·06
1882	2·89		100·00

3. Question 2424.

I have now had access to figures of a later date and find that they bear out my estimates, even better than I thought. I subjoin a short table:—

TABLE showing the result of the rupee census from 1892 to 1898 in percentages of the circulation:—

Year of Coinage in Groups.	Year of Examination.						
	1892.	1893.	1894.	1895.	1896.	1897.	1898.
William IV. 1835–40.	1·69	1·44	1·47	1·54	1·2	·7	·55
1840–76	42·74	39·06	38·19	38·90	39·7	39·92	41·51
1877–88	38·75	34·80	33·99	33·54	33·46	33·73	33·40
1888–93	16·74	24·66	26·73	26·01	25·64	25·65	24·65
Total	100	100	100	100	100	100	100

It will be noticed that in 1895, the William IV. rupee formed 1·54 per cent. of the circulation, and this percentage fell to ·55 in 1898, that is to say, it formed 1 per cent. less of the circulation than in 1895. But we know that we have recalled about 120 lakhs* of this issue. If, therefore, 1 per cent. equals 120 lakhs, we know the whole circulation must be one hundred times greater, viz., 120 crores; and this is the figure at which I have arrived by a totally different process of estimating. Strictly speaking, the validity of this reasoning depends on the assumption that the 1·54 per cent. and ·55 per cent. are percentages of a stable circulation. In point of fact, I believe the circulation of 1898 was about 120 crores, and that of 1895 about 124 crores. The difference is unimportant in this connexion, for my point *here* is not that the circulation has slightly increased or slightly decreased, but that it ranges about the figure of 120 crores.

I should mention here, that the entries for the William IV. rupee in this table are not in exact accord with the entries in the table on page 89. I did not consider it worth while to introduce into the latter the alterations made in the former.

* The exact figure down to March, including a few half rupees, was 119¾ lakhs, to which a little should be added for the receipts in April and May, after which the census took place.

4. Answer 2488.

The estimate given here was a guess made under pressure. Figures now before me show that the rupees recalled up to the end of October were about 138 lakhs, *i.e.*, 12 lakhs less than my estimate.

No. 40.

THE COTTON INDUSTRY IN INDIA AND THE FAR EAST.

REPORT of SPEECH delivered at the ANNUAL MEETING of the BOMBAY MILL-OWNERS' ASSOCIATION on March 22, 1899, by Sir GEORGE COTTON, Kt., Chairman.

(*Reprinted from the* "Homeward Mail," 15th *April* 1899.)

The cotton industry now is passing through a critical time. There has been a steady decline in the value of raw material during the past two years, owing to the large American crop last year and the anticipated larger one this year, and it has resulted in a correspondingly continued fall in prices of yarn and in such heavy losses to holders, both in India and China, as to have caused the absence of that speculative demand which so frequently acted as a buffer between the producer and the consumer by the holding of stocks which the spinner could not afford to finance, and the consumer declined to buy in a falling market until actual requirement compelled him. In addition to this, Japan, which had increased her spindles by some 50 per cent. during the past two years, owing to financial pressure, had to force her surplus production on the China market at less than cost price, and the Shanghai Mills, which were started under the impression that the closing of Indian mints gave them a special advantage over Bombay, had fared no better than their neighbours, and were selling yarn in their own markets for less money than it cost them to spin it. We in Bombay not only had to face bad markets, but to fight against plague for the past three years, which, by nearly closing our mills for want of hands during two or three months each season, and generally disorganising our labour, increased the cost of production at a time when, under normal circumstances, every effort would have been directed to economise. Owing to reduced estimates of the American cotton crop, and the consequent advance in price of raw material, the yarn market is now much firmer, and there in no longer a desire on the part of holders to get rid of yarn at prices below that at which it can be produced. This in itself should help the market, and the re-opening of the northern ports of China about this time should, I trust, also tend to improve the position.

Unsold and uncleared stocks of Indian yarn in China are still heavy, being 130,000 bales against 97,000 bales at the same time last year. But, in comparing these, it must be borne in mind that in addition to our own large exports, 450,000 bales for the year, China has absorbed large quantities of Japan and locally manufactured yarn, showing, I think, there is considerable room for expansion in her power to consume—expansion that must develop with the great opening-up now going on. We can only hope that for some time, at least, there will be no great increase in the number of Eastern mills, and that consumption will quickly overtake our increased production, enabling us again to secure a margin on the right side. But I think the time for handsome profits gone, and that in the future, we will have to content ourselves with more moderate returns on capital invested. The important question for us in India is, "Can we successfully compete with "Japan and China?" I think we can, because we have raw matertal on the spot and abundance of experienced cheap labour. Japan and China draw almost entirely upon India for their supply of cotton, and judicious purchasing in the purchasing of raw material is an important factor in the working of a cotton mill. A Bombay millowner, with a large market at hand where he can select his requirements, ought to have considerable advantage over his friends in the

Farther East, who must buy on sample or type, at times when freight can be obtained, and pay additional charge in the shape of buying commission. Japanese and Chinese mills may appear to have the advantage by working 22 hours per day, but experience has over and over again shown that the loss from heavy depreciation of machinery and inefficiency of labour, resulting from night work, more than counterbalance any gain from increased output.

I thought that the closing of the Indian mints would give Japan and China a great advantage in the matter of exchange, but experience shows that the prices for yarn in China move almost automatically with the rise or fall in the sterling value of the dollar, in the same manner that the decline or rise in the sterling value of the rupee is followed by a rise or fall in the value of our produce. As a matter of fact, exchange between India and China has, in sympathy with the steadiness of the rupee and of silver, varied less during the past few months than for some years past. I cannot see that cheap silver gives China any real advantage. The lower the price of the metal, the more she must give of it, or its equivalent, for anything she requires. This is, I think, strikingly illustrated by the fact that whereas, when silver was of more sterling value, the dollar would purchase 1,200 cash, cash being the copper currency used for small payments to coolies and others; now the dollar can only buy 800 cash. Now that the idea that the curtailment of currency is necessary to maintain exchange has been disproved, I would prefer leaving matters as they are, and giving a longer trial to our present currency law, which has not worked badly, considering that, in the face of plague, famine, and war, we have come out fairly well. I am of opinion that with increased railway facilities, which would enable produce to find its way to new markets, the balance of trade in favour of India must steadily increase; and that, except in famine years, we should not only be able to pay for our imports and meet our obligations, but would have such a balance to our credit that exchange could be maintained without further legislation. The present system has, to my mind, this advantage, that, if through famine in India or overstocked markets abroad, exports should fall off, exchange would decline, and in so doing would tend to stimulate our export trade for the time being. I trust the time is near when the financial position of the country will enable the Government to make Bombay a free port once once. The vexation, annoyance and hindrance to trade caused by import duties, even with the best regulated Customs House, can only be realised by those engaged in the import trade. We millowners do not complain of countervailing excise duty as in any way injuring us. In regard to competition between England and India, there cannot, as this Association has always maintained, be any competition between the fine goods of Lancashire and coarse cloth made in this country; but there can be no doubt that the Excise duties protect hand-loom weavers, and, as a consequence, we find that, whereas handlooms are increasing their consumption of yarn year by year, there has been no increase in machine-looms in Bombay since 1896, when the number was 21,335 against 21,379 at the present. I think we have good ground to make a representation to Government regarding this, the more so as it seems the time has come when, without any financial inconvenience, Government is able to repeal duties never intended to be permanent, or protect one class of industry against another.

Papers relating to CEYLON.

No. 41.

LETTER from the COLONIAL OFFICE to the CEYLON ASSOCIATION.

SIR, Downing Street, 7th May, 1898.

WITH reference to the letter from this Department of the 18th ultimo and to your letter of the 4th instant, I am directed by Mr. Secretary Chamberlain to inform you that the wishes of the Planters' Association of Ceylon and of the Ceylon Association in London, with regard to the appointment of Mr. T. N. Christie as a member of the Indian Currency Committee, were duly communicated to the Secretary of State for India, but Lord George Hamilton was only able to offer one vacancy to be filled by a representative of all the Eastern Colonies.

2. It seemed desirable that the dollar using colonies should be represented as well as Ceylon, and that therefore a representative should be appointed who was connected not only with Ceylon, but also with the Far East.

3. For this reason Mr. Chamberlain suggested the name of Sir A. Dent, K.C.M.G., as a suitable representative to Lord G. Hamilton, who has been good enough to appoint him.

4. I am to suggest that if your committee desires to offer any evidence specially affecting Ceylon to the Currency Committee, they should put themselves in communication with Sir A. Dent and with Mr. R. Chalmers of the Treasury, who is secretary to the Committee.

5. The memorial from the Planters' Association of Ceylon dated 12th ultimo, received from the Governor of Ceylon on the 2nd instant, will be communicated to the Committee.

I am, Sir,
Your obedient Servant,
The Secretary to (Signed) C. P. LUCAS.
the Ceylon Association.

No. 42.

Letter from the Colonial Office forwarding MEMORIAL from the PLANTERS' ASSOCIATION OF CEYLON.

Downing Street,
SIR, 7 May 1898.

I AM directed by Mr. Secretary Chamberlain to transmit to you, to be laid before the Indian Currency Committee, copy of a memorial from the Planters' Association of Ceylon, with regard to the effect of the currency policy of the Indian Government in Ceylon.

Mr. Chamberlain trusts that the Committee will be able to obtain full evidence on behalf of the Ceylon planting interest, and I am to enclose copy of a letter which has been addressed to the Ceylon Association in London on the subject.

I am,
Sir,
Your obedient Servant,
R. Chalmers, Esq. C. P. LUCAS.

Enclosure to above Letter.

To the Right Honourable
Joseph Chamberlain, M.P.,
Her Majesty's Secretary of State for the Colonies,
Downing Street, London.

The humble Memorial of the Planters' Association of Ceylon, and others having a stake in the continued agricultural prosperity of the Colony, and having for their object the good of Ceylon.

RESPECTFULLY SHEWETH—

1. That your memorialists, who are deeply interested in the cultivation of the staple product of Ceylon (tea) as well as in the general agriculture of the island, recognising the extreme gravity of the existing conditions of exchange and currency, desire to represent to Her Majesty's Government how disastrous the artificial high rate has been, how critical the position of the producers—European and native—is, and to urge the necessity for early action in such vital matters.

2. That your memorialists view with very great alarm the delay that is taking place in the settlement of the question of the Indian currency, which is the same as Ceylon, and consider it their duty humbly to point out to Her Majesty's Government that the continued prosperity of Ceylon is at stake.

3. That your memorialists of the Planters' Association of Ceylon passed the following resolution in August

1893, at a general meeting, and forwarded it to Government:—

"That the Government be urgently requested to take immediate steps to appoint a Commission to consider and report upon (1) the probable effect in Ceylon of the recent action of the Indian Government in putting an artificial value on the rupee; (2) the measures which it may be expedient to take to protect the interests of the Colony under the altered nature of the currency, as in the opinion of the Association the prosperity of the Colony has been seriously endangered."

4. That the Ceylon Silver Currency Commission appointed in response to the representation then made, reported in February 1894, and that many of the conclusions arrived at by the Commission have been verified, and few, if any, have been disproved.

5. That your memorialists are in full agreement with the conclusions expressed in paragraphs 14 to 20 and 24 to 28 of the Ceylon Silver Currency Commision Report hereto appended (Sessional Papers VI., 1894). Your memorialists would point to the diminished dividends declared by local tea companies, and in many cases to the absence of dividends in 1897, notwithstanding increased crops, and to the reduced value of tea property as evidenced by the Companies Share List quotations. In support of this statement, appended hereto is an editorial article in the "Times of Ceylon" of March 3rd (Appendix C.) and also an extract from the "Times of Ceylon" of March 19th 1898 (Appendix B). That this loss of profit in the tea industry—caused in a large degree by high exchange—has very seriously checked further extensions of tea cultivation admits of no doubt.

6. That your memorialists feel in addressing you that it is unnecessary to do more than emphasise the fact that competition with silver-using countries, where the currency is a bullion value currency, will soon be impossible by virtue of the enormous difference between the bullion value and the artificial value of the rupee—amounting at the moment to over 60 per cent. on the bullion value of the rupee. It is difficult, your memorialists conceive, to credit that the Indian Government is not well aware of this effect of their present policy, and that a positive bounty has been given thereby to the teas of China and Japan at the expense of the British-grown teas of Ceylon and India. In the words of the Report of the Ceylon Silver Currency Commission referred to above:—

"It is impossible to forecast or give any trustworthy opinion on the extent of injury likely to be done to Ceylon tea and other products competing with similar products grown in silver currency countries, as the extent of the injury hinges on the extent of the divergence in rupee value before referred to; but there is no doubt that if the divergence were large these Ceylon products would only retain their markets by accepting prices so low as to seriously imperil the prosperity of the largest producing classes in the island."

This statement is borne out by what is now occurring in Russia and the Continent, where at considerable expense, voluntarily submitted to by the producers in Ceylon (Ordinance No. 4 of 1894, for increasing the consumption of Ceylon tea in foreign lands), a trade has been opened and prospects were promising, but owing to the competition of China, favoured by her bullion value currency, the prices of Ceylon tea were forced down, and Ceylon producers are forced to accept a serious decline in prices, which tends to further lower rates now quoted in London.

7. That your memorialists agree with those who think that cheap silver, previous to the closing of the mints in India, was a potent, if not the most important, factor in developing the agricultural resources—which are the backbone of prosperity—of Ceylon, as of India, whilst they admit that stable exchange is a factor, though a minor one, tending to attract capital. Your memorialists affirm that capital seeks profit, not stability of exchange alone, and that where there are no profits capital will soon cease to flow. Further, your memorialists say that a high rate of exchange induces the withdrawal of capital from Ceylon to London and elsewhere. Your memorialists maintain that capital will inevitably flow where there is most profit and prosperity, but apart from this fact, your memorialists apprehend that stability of exchange is one of those objects of the policy of the Indian Government which it has not yet succeeded in attaining.

8. That your memorialists are of opinion that the present unsatisfactory condition of the currency question is intolerable, and that adequate consideration should at once be given to the subject by Her Majesty's Government, with a view to ascertaining the best measures to be taken to ameliorate the existing critical state of the producing industries, and to relieve the financial pressure. Already the local banks of Ceylon—unquestionably owing to the contraction of the currency through the closing of the mints—are charging from 12 to 15 per cent. interest on advances, rates which heretofore have only been levied by native money lenders on doubtful security.

9. That your memorialists rest assured that when confidence is established, capital will again flow freely to Ceylon and to India, and, without presuming to tender advice or to offer any opinion here as to the best remedy for the present unfortunate position of Ceylon and India, your memorialists would respectfully, but strongly, maintain that the producers' interests have been most severely injured by the experimental tampering with the currency in the supposed interests of the Indian Government.

10. Your memorialists would quote in this connection the following words from paragraph 24 of the Ceylon Silver Currency Commission Report: "The evidence "we have is conclusive that that fall (the fall of the "rupee) has not prevented the introduction of all "necessary English capital, and it is stated that there "is more capital offering for investment on reasonable "terms than has ever been the case before. There is "no practical or legal difficulty in securing the "repayment of sterling loans in sterling value, and "the loans of English capital, almost entirely made to "Europeans, are so secured."

11. That your memorialists believe that, having regard to the issues on which agricultural prosperity depends, it is to the best interests of Government that whatever steps are taken should be final, and that the problem can only be satisfactorily solved as a result of a fresh, impartial, and exhaustive inquiry, at which the producers will not be sacrificed, but will be fully represented, carried on on similar lines to that made before the closing of the mints in 1893, on the clear understanding also that the question of the gradual re-opening of the mints to the coinage of silver under certain conditions is included in the scope of the Commission.

12. That your memorialists rejoice to recognise that you consider it a duty incumbent on the British Government to draw closer to her colonies, to seek in her own family the strength and support which Great Britain can never find from foreign nations, and that the policy of Government is to bind the colonies closer by all means in their power, that the old policy of apathy and indifference is to be given up for one of initiative and resolution; that accordingly the prosperity of the Ceylon tea industry must necessarily be a matter of concern.

Wherefore your memorialists humbly pray that the gravity of the present crisis with regard to the producers of British-grown tea, as well as agricultural interests generally, may be earnestly considered by Her Majesty's Government without further delay, and that effective action may be taken for the amelioration and relief of many of Her Majesty's loyal subjects who are engaged in laudable and useful enterprise in the first Crown colony of the empire.

And your memorialists, as in duty bound, will ever pray.

On behalf of the memorialists,
F. G. A. Lane,
Chairman, Planters' Association of Ceylon.

Kandy, Ceylon,
12th April 1898.

APPENDIX A.

Extracts from Ceylon Silver Currency Commission Report referred to. (Sessional Paper VI. 1894.)

14. We think it advisable to mention retrospectively what has occurred in Ceylon during the last twenty years, while the gold price of silver has been falling.

Taking, first, the production of goods for export, Table W. in Appendix E. shows that the export of coffee, which in 1877 was worth almost 50 millions of rupees, has gradually fallen ever since, and that in

1892 it was worth only 3¼ millions: the fall was due to leaf disease entirely. Meanwhile the export of tea has gradually risen from Rs. 2,000 in 1876 to 32½ millions in 1892 and Rs. 40,723,329 in 1893. The value of the exports of other commodities generally has increased from nearly 11 millions of rupees in 1877 to 25¼ millions in 1892.

15. Preparatory to forming an opinion on the probable effects in Ceylon of the action of the Indian Government in enhancing the sterling value of the rupee, it was necessary that we should first enquire into and form an opinion of the proposition that Ceylon generally has benefited by the fall in the value of the rupee, which has been so pronounced during late years, and it may be convenient, in considering this all-important issue, to consider *seriatim* the classes named by Lord Ripon in his letter of 25th November 1892, to the India Office.

These classes were—

(1.) English merchants and traders.
(2.) Producers and inhabitants generally.
(3.) The Government.
(4.) English civil servants.

In considering the effects which the fall of the rupee has had on some of these classes, it is necessary to distinguish (1) between the effects of the actual process of falling, which would probably not affect more than one generation; and (2) the effects of a permanently low rupee, which would have a far more extended influence.

16. It is the first of these causes which really forms the chief hardship to the merchant and trader; it unsettled the local prices of European goods, introduced an element of uncertainty into many transactions, and affected all European capital brought into the island when the rupee was high, which would now, *cæteris paribus*, be much reduced in sterling value. The witnesses examined by us have made little complaint in this connection, and generally testify to their own prosperity and attribute it to that of the producing classes. The truth apparently is that all the European firms are so connected with, or dependent on, the planting industry that what is advantageous for their constituents is advantageous for them. The native traders have all their capital in rupees, and a large proportion of their business is with India, and they have consequently suffered even less than the European firms. The European business which seems to have suffered most and very seriously from the low value of the rupee has been that which encounters Indian competition. Local and Indian production has been stimulated and the European manufacturer has found it well nigh impossible to compete with goods manufactured in silver-using countries. It cannot, however, be said that the substitution of Ceylon and Indian goods for those of Europe is a matter for legitimate regret in these countries.

To sum up, the local merchant has a great volume of business owing to the progressive increase of exports and to the increase of shipping calling at Colombo. On the other hand he suffers from the harassing influence of a constantly fluctuating exchange, and the drawback of the shrinkage of capital engaged in business when measured in gold.

17. As exports have increased in value so have imports generally, and the whole body of importers has paid more silver for imported goods. The evidence taken before us shows that the local price of certain imported goods has fallen during the last twenty years in degrees varying with each commodity; but the same evidence also shows conclusively that the quality of some goods imported during the same period has deteriorated considerably.

We invite especial attention to this fact, as it does not appear to have been put prominently before other bodies which have previously discussed this subject.

Tradespeople attribute to the local consumer a determination not to pay more than a certain silver price for a given article, and they admit having lowered the quality so as to allow of their charging about the same price notwithstanding the lower value of silver.

18. In considering the second class named by Lord Ripon—producers and inhabitants generally—we have divided this class thus:—

A.—Producers (largely Europeans) whose production is carried on by wage-earning labourers.
B.—Indigenous native inhabitants, largely composed of small producers who cultivate their own ground.
C.—Immigrant inhabitants, chiefly employed by European producers.

19. The Class A is the one which would manifestly seem to have directly benefited by the fall in exchange, and the great majority of our witnesses was confident that this class owed much of its present prosperity to that cause; the few witnesses who held the opposite view based their opinion upon the belief that it was the low price of silver that has caused the sterling price of so many commodities to fall, but none of these witnesses could give good reason for their belief.

At the present moment it may be calculated that tea has become since 1888 worth to the producer almost as much as coffee used to be worth in the days of its greatest prosperity, while the value of other commodities exported has more than doubled. These figures indicate generally a considerable degree of prosperity in all classes of producers for export. The class which produces commodities for export other than tea—a class which includes almost all the native producers, except grain growers in the island—appears to have augmented its business in a very notable degree; the value of its exports has more than doubled (measured in rupees) in the last fifteen years—measured in gold the increment is 60 per cent. This denotes a general progressive increase of prosperity amongst the producing classes and those depending on them.

We are of opinion that the low price of silver has stimulated the production of many commodities, and that the increased production so caused has naturally tended to lower prices; but on the question of a direct connection between the price of silver and that of other commodities our views are identical with those expressed by Lord Herschell's Committee, which, substituting "Ceylon" for "India," runs thus (paragraph 22): "It has indeed been alleged that the fall in the "gold price of certain (Ceylon) products is to be "attributed to the fall in the value of the rupee, but "this allegation is strongly controverted; and having "regard for the phenomena presented in the case of "(Ceylon) products not greatly open to competition, "and to the necessary effect of competition in the case "of those which are within the sphere of its influence, "it seems far from clear that the fall in the gold price of "(Ceylon) products would have been materially less if "the exchange had not fallen."

But whether there be an intimate cause-and-effect connection between the price of silver and the price of commodities or not, one thing is clear, viz., that the lowering of the gold price of commodities has equally affected those grown in a gold-standard country and those grown in a silver-standard country. Tea grown in Java—a gold-standard country—has shared to the full the diminished gold value of that product, and it has not shared in the compensating diminished cost of production, due to low exchange, which has enabled the Ceylon industry to retain its prosperity. The rate of wages paid to unskilled Tamil labour on the estates has not increased during the past eighteen years. It fell somewhat in 1886, and in some portions of the planting districts there has of late years been a rise to the old level. The rate of wages to Singhalese labourers has always been considerably under that paid to Tamil immigrants, and our evidence points to a general tendency towards an increase, although there is a large exception in the cinnamon estate labourers, whose wages have diminshed. The real capital value of estates must depend upon their profit-yielding capacity, and if that capacity has been maintained owing to the effects of low exchange, the owner, even although he might not be able to get the same sterling price originally paid on purchasing the estate when the rupee was high, is indebted to the low exchange for having counterbalanced the fall in the sterling value of his produce, which would otherwise render his property profitless and possibly valueless. We are of opinion that Class A—the European and native owners of estates, whose expenditure is largely on unskilled labour—has benefited by the low exchange which has ruled in late years.

20. Class B is chiefly made up of the Sinhalese population and the Tamils settled in the northern and eastern portions of the island, many of whom are large producers of exported products—the value of the exports which can be classed as coming from native producers being over twenty millions of rupees per annum—and these stand in connection with exchange in much the same category as Class A. Another large section of Class B is directly or indirectly dependent on the spending power of the estate owners and labourers in finding a market for what this section has to sell.

The imports from foreign countries used by this class are small, and as regards clothes the evidence we have collected shows that they are at present both cheaper and inferior to the clothes of twenty years ago. As regards rice, it has for the last three years been dearer than twenty years ago; those in the interior who eat kurakkan are said to find the product dearer; but as the labourers are nearly always paid by a share of the produce, its increased money value may not be against the general interest of the labourer.

The circumstances of the ordinary wage-earning labouring inhabitant of Ceylon, who may have little or no property, and therefore cannot be classed as a producer, have varied very much in different parts of the island; and it would be impossible to lay down any rule applicable to all.

We append a mass of statistics (Appendix D) on the condition of the peasant labourer in all parts of the island. We have felt compelled to use great caution in making use of this information because, in the absence of historical data, the tendency of men's minds is generally in similar circumstances to describe the past as a time of easier conditions of life.

The poorer labourers, male and female, about Colombo have suffered greatly from the collapse of the coffee enterprise, which used to find them easy employment, and the development of the city as a port of call has not yet compensated them.

The class of labourers for hire has increased generally, and the demand for labour has also increased; it has been proved that the rate of wages has been raised in the Jaffna, Trincomalie, Metara, and Hambantotta districts, and in the Western province during the last twenty years.

On the other hand, the rate for peasant labour in the Central, Western, and Sabaragamuwa provinces appears to have remained fairly constant—at about three days' labour for a rupee; but that rate had only recently been attained in 1870. The rate in 1864 was generally a little lower.

24. When, leaving the individual classes and interests mentioned in foregoing paragraphs, we review the general position of Ceylon and its trade, we find that during recent years the statistics which are usually held to be indices of a country's progress point to a general increase or prosperity during the period when the fall of the rupee was most marked.

The evidence we have is conclusive that that fall has not prevented the introduction of all necessary English capital, and it is stated that there is more capital offering for investment on reasonable terms than has ever been the case before. There is no practical or legal difficulty in securing the repayment of sterling loans in sterling value, and the loans of English capital, almost entirely made to Europeans, are so secured (*see* Appendix D. 13). Native borrowers and lenders deal entirely in rupees, and have been in this respect unaffected by the fluctuations of exchange.

25. Our opinion is that up to the present time a bullion silver currency, coupled with a falling rate of exchange, has been for the benefit of the greatest number; in other words, the sum of the advantages has preponderated over the sum of the disadvantages, and, as far as we can see, the action of the Government of India is not advantageous to the general interests of Ceylon, provided—

A.—That the readjustment of all local salaries, wages, and prices to the altered value of the rupee could be deferred for an indefinitely long time;

B.—That the future rise in the general revenue would be sufficient to keep pace with the increase in the obligations of Government, consequent on the altered value of silver; such rise being secured either by the revenue naturally rising *pari passu* with the increased demands on it, or by additional contributions from the producing interests specially favoured by a bullion silver currency and low exchange.

26. With reference to the possible readjustment of local wages and prices measured in silver, while we find that there is in Ceylon a slight tendency towards increasing wages, and a more general tendency towards increasing prices (after taking duly into account local exceptions and certain prices which have decreased), such increase bears no actual proportion to the progressive decline in the gold price of silver, and it can hardly be attributed thereto.

It is our opinion that the date of such a general adjustment of wages and prices is uncertain; that it will probably be remote, and that it may be postponed for an indefinite period of time.

We may note that this conclusion agrees in the main with that arrived at by the three Chinese members of the Straits Currency Committee of 1893, and with those of Mr. Carden in his Report on Mexico, No. 302 of 1893 (F.O. Miscellaneous Series, C. 6856—50), and with those of Mr. H. H. Gibbs as a producer in a silver standard country (C-5099, Minutes of Evidence, pp. 149–159, and Appendix X. 2. signed J. M. Lowe).

27. The rise in sterling prices of commodities, which a few of our witnesses look for as a result of the action of the Indian Government, and which would compensate the producer for the rise in exchange, would, if it came at all for such a cause, follow at a distance while the adverse effect would be immediately in operation. We do not, however, think that a gradual and moderate rise in the sterling value of the rupee would, if equally felt by the currencies of other silver-using countries, seriously affect the prosperity of the colony, but the effect of the recent action of the Indian Government which we are now considering has, so far, not been to raise the value of the rupee (except for a short period of speculation) above its pre-existing value, but to create a great divergence between the token currency value and the bullion value of the coin, and it is this divergence in value which menaces the prosperity of some of the island's staple products.

The Extent of this Divergence is shown by the following Figures.

——	Divergence.	Bullion Value of the Rupee calculated at the Market Price of Silver, plus 2 per cent. Seignorage.	Exchange Value of the Rupee.
1893.	*d.*	*s. d.*	*s. d.*
June 1	$0\frac{1}{32}$	1 $2\frac{1}{2}$	1 $2\frac{17}{32}$
„ 15	$0\frac{11}{32}$	1 $2\frac{17}{32}$	1 $2\frac{7}{8}$
„ 29	$4\frac{8}{32}$	0 $11\frac{5}{8}$	1 $3\frac{3}{8}$
July 13	3	1 $0\frac{11}{16}$	1 $3\frac{11}{16}$
„ 27	$3\frac{1}{32}$	1 $0\frac{15}{32}$	1 $3\frac{1}{3}$
Aug. 10	$2\frac{5}{32}$	1 $1\frac{11}{32}$	1 $3\frac{1}{2}$
„ 24	$1\frac{19}{32}$	1 $1\frac{3}{32}$	1 $2\frac{7}{8}$
Sept. 7	$2\frac{3}{32}$	1 $1\frac{1}{32}$	1 $3\frac{1}{8}$
„ 21	$2\frac{3}{32}$	1 $1\frac{1}{32}$	1 $3\frac{1}{8}$
Oct. 5	$2\frac{1}{32}$	1 1	1 $3\frac{1}{32}$
„ 19	$2\frac{3}{32}$	1 $0\frac{15}{16}$	1 $3\frac{3}{16}$
Nov. 2	$2\frac{19}{32}$	1 $0\frac{17}{32}$	1 $3\frac{5}{32}$
„ 16	$2\frac{23}{32}$	1 $0\frac{5}{16}$	1 $3\frac{3}{16}$
„ 30	$2\frac{29}{32}$	1 $0\frac{5}{16}$	1 $3\frac{7}{32}$
Dec. 14	$2\frac{22}{32}$	1 $0\frac{5}{16}$	1 3
„ 28	$2\frac{23}{32}$	1 $0\frac{21}{16}$	1 $3\frac{1}{6}$
1894.			
Jan. 11	$2\frac{30}{32}$	1 $0\frac{3}{16}$	1 $3\frac{1}{8}$
„ 25	$2\frac{31}{32}$	0 $11\frac{13}{32}$	1 $2\frac{3}{8}$
Feb. 8	$2\frac{24}{32}$	0 $11\frac{1}{4}$	1 2

28. Tea, the staple product in which Europeans are interested, and the cocoanut palm products forming the chief native exporting industry, are the two enterprises most seriously affected, both being in competition with countries further east, where the currency is silver of bullion value.

It may safely be concluded that in such a vast and conservative country as China it would take many years before any change in the external purchasing power of the dollar would affect its power of purchasing local labour or articles produced for consumption in China, and that being so, it is evident that with tea at a given sterling price the European importer could afford to give the Chinese producer a higher value in local undepreciated currency than he could to the Ceylon or Indian producer in their local currency.

We have received through the Government a report from the British Legation at Tokio (Appendix D. 44), which indicates that since 1st May last there has been a considerable increase in the export of tea from Japan; and figures recently published in the *Ceylon Observer* respecting the export from China, while they indicate an increase since 1st May last of 6½ million pounds to Russia, and 1¼ million pounds to North America, show a slight falling-off in the export to Great Britain. But it is evident that the progressive decrease (*see* Appendix E., Table T) in the export of tea from China which has taken place every year since 1886, to the benefit of India and Ceylon, has now ceased, and is likely to be replaced by an increase which would be a serious disadvantage to this country. We have since received interesting reports (Appendix D. 46, 47, 48, and 49) from Pekin, Shanghai, Hankow, and Foochow.

Ceylon tea is produced solely for export, and it is not improbable that its production would be continued for

a considerable time in spite of almost any fall in price, and the effect of this exchange premium in China's favour would therefore be manifested less by any remarkable increase in the export of China tea or displacement of Ceylon tea than by prolonged reduction in the price of tea to a figure which was so low as to prevent Chinese growers, even with a premium of, say, 1½*d.* or 2*d.* per pound in their favour, exporting with profit.

It is impossible to forecast or give any trustworthy opinion on the extent of injury likely to be done to Ceylon tea and other products competing with similar products grown in silver-currency countries, as the extent of the injury hinges on the extent of the divergence in rupee value before referred to; but there is no doubt that if the divergence were large these Ceylon products would only retain their markets by accepting prices so low as to seriously imperil the prosperity of the largest producing classes in the island.

APPENDIX B.

(*Times of Ceylon*, 19th March 1898.)

Below we give the averages for the past three years of a number of well-known and representative estates in various parts of the planting districts, and this table will afford facilities for further comparisons:—

	1895.	1896.	1897.
Agra Ouvah	69	61	55
Anchor Mark	59	52	45
Ardlaw and Wishford	65	58	55
Augusta	49	41	35
Caskieben	50	47	40
Castlereagh	50	46	40
Clunes	47	39	34
Clyde	53	44	37
Deaculla	55	52	42
Dickapitiya	54	47	41
Dunbar	49	47	42
Eadella	47	34	32
Eilia	47	40	33
Farnham	55	43	40
Glasgow	61	58	51
Glenrilt	53	49	45
Glencorse	49	42	40
Great Valley	52	42	40
Harangalla	49	42	33
Harrington	61	54	51
Hethersett	65	52	53
Ivies	43	37	34
Kelani	55	39	36
Knavesmire	45	34	32
Langdale	67	55	48
Macaldeniya	56	52	40
Maha Ouvah	54	47	45
Malvern	49	37	30
Middleton	65	52	55
Mocha	62	57	48
Naseby	70	65	71
Ottery and Stamford Hill	65	55	48
Patiagama	56	49	41
Queensland	53	44	53
Radella	65	52	45
Roseneath	49	39	33
St. Heliers	50	45	39
Stisted	42	48	37
Talgaswela	50	41	38
Templestowe	56	47	40
Tientsin	73	53	44
Torwood	55	40	38
Vogan	52	46	40
We-oya	46	38	32

APPENDIX C.

CEYLON COMPANIES AND THE LOCAL SHARE MARKET.

(*Times of Ceylon*, 3rd March 1898.)

A detailed study of the state of the local share market, and of the prospects of both sterling and rupee capital tea and other produce companies—more particularly those formed during the past two years—shows how severe has been the relapse after the inflation of 1895. It is a very disappointing statement which we have to make; but not to face the situation would in no wise improve it, and it is better to regard things exactly as they are. The record of losses during 1897 on local quotations—accentuated this year to the present date—when reckoned on all the existing scrip, assumes astounding proportions; and use must be made of it to show the home authorities how adverse conditions have combined to check our prosperity—the prosperity at present, principally, of the European community in Ceylon. Its reflex action upon the island generally has not become very manifest yet; but must already be bringing its influence to bear in many directions. What the natives felt during last year more especially was the dearness of rice due to the Indian famine, and enhanced up-country by the Allagalla rock-slip. The immigrant estates coolies, in many cases, suffered less than others in this way, because the majority of estates shared the additional cost with their labourers. This has tended to further reduce the profits of not a few public companies; but it is fully realised now that the prime and lasting cause has been the artificial exchange, to which the prices of our staple have in no degree responded. It is not a characteristic of the Ceylon planter to bemoan bad luck. If it come to him in the ordinary risks of tropical life and work he is prepared to take his chance and accept the results in a manly way. Low prices do not force a complaint from him if he be competing on equal terms with the rest of the world; but when he realises that he has not a fair field, that his case, in spite of his highly-praised pluck in refusing to be wiped out by the coffee crisis, has not received consideration in connection with the present financial operation permitted in India, then his indignant protest is natural, and his protests will become louder and more urgent until they are regarded. We hope the Governor, as largely responsible for the continued prosperity of the country during his rule, has already addressed the Secretary of State on the situation. If this has not been already done, the figures which we give to-day will, we trust, supply his Excellency with some reliable material.

In a special view of the local share market in 1895, which we gave in January 1896, we remarked that two great features divide the past year with remarkable distinctness, the first half having been noteworthy on account of the large amount of business done in old shares and their appreciation in price; and the second half for the number of new companies incorporated. We showed that, almost entirely in the latter six months, eighteen rupee companies, having a paid-up capital of Rs. 5,848,500 and a nominal capital of Rs. 8,860,000, had been registered. In a similar retrospect, a year later, it was stated that the feature of 1896 was the number of sterling companies formed. The companies floated in London during that year numbered thirteen, with a paid-up capital amounting to 902,170*l.*, which showed that four and a half times as much had been invested in London as in Ceylon, where during the same twelve months the public tea companies founded numbered eleven, with a paid-up capital of Rs. 3,259,000, and a nominal capital of Rs. 5,940,000. 1897 has been notable for the entire absence, since the first month of the year, of the formation of any local companies except of a private nature. In the January of this year one company was registered, and its shares are now quoted in the official list; but, from January to January exclusive, the public were not appealed to in the matter of a single new rupee tea company. The floating of limited liability concerns in London continued during last year, however; and, while the first half of the year saw some huge companies formed having joint interests in this island and in Southern India, the latter half was marked by the floating of a company representing the largest number of Ceylon estates that have been brought together for one flotation. We are unable to prophesy what lies before these later companies. Nor can we deal, to-day, with the prospects before the planting community as a whole; but in the tables which we append we show how the older local institutions, whose capital figures per acre were small, have been able to stand the present strain much better than those brought out when the vendors were able to get more favourable prices for their properties. The first table we give is of local companies which have been formed long enough to show the fluctuation in prices since the years 1895 and 1896. The first three columns represent the quotations

on the 1st January of the respective years, and the last column is brought up to date, embodying the alterations made by the committee of the Sharebrokers' Association at their meeting on Tuesday last. Some of the quotations are ex-dividend, but very few are affected by the deductions made for such payments, though mention may be made of Agra-Ouvah, Clyde, Glasgow, Kirklees, Knavesmire, Maha Uva, Tonacombe, and Upper Maskeliya. On the other hand, we have almost as many described as "nominal," while practically all in the list are now marked "sellers," which means, in the present state of the market especially, that business could be done only at figures more or less lower than those quoted.

FLUCTUATIONS OF THE OLDER RUPEE COMPANIES.

	Jan. 1.			Mar. 1,
	1895.	1896.	1897.	1898.
Agra-Ouvah Estates	700	1,125	1,300	1,040
‡Beaumont Tea	—	130	130	—
Castlereagh Tea	85	157½	150	105
Ceylon Hills Estates	—	107½	107½	65*
Ceylon Provincial Estates	—	625	685	485
Claremont Estates	—	100	77⅓	50*
Clunes Estates	112½	197½	170	115
Clyde Tea Estates	—	125	120	100
Delgolla Estates	500	470	360	200
Doomoo Tea	—	125	115	67½
Drayton Estate	110	185	170	160
‡Dunkeld Estate	630	1,025	1,037½	—
Eadella Estates	562½	675	560	250
Eila Tea	114	175	155	65
Estates of Uva	—	725	685	450
Glasgow Estate	760	1,275	1,400	1,060
Great Western Tea	680	1,000	950	650
Hapugahalande Tea	250	350	385	300
High Forest Estates	—	620	630	425
Do. do. part paid§	—	200	222½	225
Horrekelly	80	75	92½	610
Kelani Tea Garden	—	120	102½	90
Kirklees Estate	—	150	185	167½
Maha Uva Estate	600	1,015	1,025	780
Mocha Tea	800	1,035	1,175	900
Nahavilla Estates	537½	1,000	900	550
†Pine Hill Estate	—	120	67½	50
Ratwatte Cocoa (started in 1893, but unquoted).	—	—	—	350*
‡Roeberry Tea	—	110	107½	70*
Ruanwella Tea	—	130	110	67½
St. Heliers Tea	800	1,240	1,300	800
Talgaswela Tea (ordinary)	55	82½	55	32½
Do. do. (7 per cent., pref.).	105	97½	87½	90*
Tonacombe Estate	590	735	700	575
Udabage Estate	—	110	105	65
Udagama Tea and Timber	—	40½	30	25*
Union Estates	—	550	540	360
Upper Maskeliya Estates	830	1,000	830	675
Uvakellie Tea	—	132½	120	70
Vogan Tea	—	110	108½	75
Wana Rajah Tea	700	1,100	1,510	1,310
Yataderia Tea	285½	400	400	270
Weoya Tea	195	330	317½	‖
Yatiyantota	3,250	6,000	7,750	‖

The above particulars show the "slump" per share of the concerns named; but we now have to show what the fall means over the whole of the local produce companies, and on the total number of shares involved. The figures thus produced are what we referred to in our introductory remarks as almost incredible. We are, however, sure of the fact that we have not made out the total loss to be worse than it really is. We include the very latest addition to the shaerbrokers list, which slightly reduces the net depreciation, and we repeat that, by taking the present quotations, we do not unfairly expose the weakness of the market:—

* Nominal.
† In 1896 the par value of these shares was reduced from Rs. 100 to Rs. 60.
‡ Absorbed in other companies.
§ Rs. 100 called up on January 1, 1896 and 1897; Rs. 250 called up now.
‖ Since amalgamated into a sterling company, at 20*l.* shares, now quoted at 8*l.*

RUPEE COMPANIES.—TOTAL CHANGES IN FOURTEEN MONTHS.

Appreciated.

	Ordinary Capital paid up.	At present Quotation.	Rise since Jan. 1, 1897.
	Rs.	Rs.	Rs.
‡Ceylon Tea and Cocoanut Estates Co.	302,000	332,200	30,200
Horrekelly Estates Co.	400,000	424,000	54,000
Ottery Estate Co.	298,000	372,500	74,500
Total	1,000,000	1,128,700	153,700

Stationary.

Palmerston Tea Co.	410,000	410,000	—
*Putupaula Estate Co.	200,000	200,000	—

Depreciated.

	Ordinary Capital paid up.	At present Quotation.	Fall since Jan. 1, 1897.
Agra Ouvah Estates Co.	375,000	780,000	195,000
Castlereagh Tea Co.	240,000	252,000	108,000
*Ceylon Hills Tea Estates Co.	427,000	256,200	181,525
Ceylon Provincial Estates Co.	666,000	646,020	266,400
*Claremont Estates Co.	65,000	32,500	17,875
Clunes Tea Co.	330,000	379,500	181,500
Clyde Tea Estates Co.	270,000	270,000	54,000
Delgolla Estates Co.	220,000	110,000	88,000
Doomoo Tea Co. of Ceylon.	400,000	270,000	190,000
Drayton Estates Co.	715,000	1,144,000	71,500
Eadella Estates Co.	160,000	80,000	99,200
Eila Tea Co.	300,000	195,000	270,000
Estates Co. of Uva	700,000	600,000	329,000
Glasgow Estate Co.	325,000	689,000	221,000
Great Western Tea Co.	584,000	759,200	350,400
Hapugahalande	170,000	255,000	72,250
High Forests Tea Co.	750,000	637,500	307,500
† Do. pt. pd. (250)	125,000	112,500	73,750
Kalutara Co.	400,000	264,000	136,000
*Kandyan Hills Tea Co. (Rs.100).	125,000	62,500	62,500
Kelani Tea Garden Co.	300,000	270,000	37,500
Kirklees Estate Co.	100,000	167,500	17,500
Knavesmire Tea Co.	415,000	300,875	114,125
‡Kanapediwatte Tea Co.	334,000	317,300	46,700
Maha Uva Estate Co.	300,000	468,000	147,000
Mocha Tea Co.	404,000	727,200	222,200
Nahavilla Estates Co.	396,500	436,150	277,550
*Nyassaland	161,800	145,620	16,180
Penrhos Estate Co.	150,000	135,000	15,000
†Pine Hill Estate Co.	208,740	173,950	60,882
*Ratwatte Cocoa Co.	125,000	87,500	45,000
Rayigam Co.	600,000	360,000	240,000
*Roeberry Tea Co.	300,000	210,000	112,500
Ruanwella Tea Co.	265,000	178,875	112,625
*St. Helier's Tea Co.	59,000	80,000	50,000
Stinsford Tea Co.	300,000	300,000	37,000
Talgaswela Tea Co.	200,000	65,000	35,000
Tonacombe Estate Co.	280,000	322,000	70,000
Udabage Co.	170,000	110,500	68,000
*Udagama Tea and Timber Co.	315,000	157,500	31,500
Union Estates Co.	320,000	230,400	89,600
Upper Maskeliya Estates Co.	350,000	472,500	108,500
Uvakellie Tea Co.	240,000	168,000	120,000
Vogan Tea Co.	720,000	540,000	241,200
Wanarajah Tea Co.	378,000	990,360	151,200
Yataderia Tea Co.	190,000	513,000	247,000
Total	14,920,040	15,752,150	5,959,222
		Less Appreciation	158,700
		Net Depreciation	5,800,522

* Present quotations nominal.
† Changesin par values allowed for.
‡ Companes formed in 1897 or 1898.
Note.—Patiagama Plantations Co., capital issued Rs. 80,000, is omitted from this list, not being quoted.

From the foregoing it will be noticed that the present quotations are still higher, taken all round, than the par value of the shares, the totals respectively being Rs. 15,752,150 and Rs. 14,920,040. To show in what proportion the older companies conduce to this, we divide the list into those formed in 1894 or earlier and those registered in 1895 or later. Of the 25 constituting the former 16 are above par; one is unchanged; and eight are lower. Of the 26 quoted concerns forming the latter list, three are higher; three are unaltered; and 20 are lower, as follows:—

COMPANIES FORMED prior to 1895.

Year.	——	Par.	Present Value.
		Rs.	Rs.
1892	Agra Ouvah Estates	500	1,040
1891	Castlereagh Tea Co.	100	105
1893	Clunes Estates	100	115
1893	Delgolla Estates	400	200
1893	Drayton „	100	160
1893	Eadella „	500	250
1893	Eila Tea Co.	130	65
1891	Glasgow Estate	500	1,060
1893	Gt. Western Tea	500	650
1894	Hapugahalande Tea	200	300
1876	Horrekelly Estate	100	106
1893	Maha Uva „	500	780
1892	Mocha Tea Co.	500	900
1893	Nahavilla Estates	500	550
1893	Pine Hill Estates	60	50
1894	Putupaula Tea Estates	100	100 nom.
1893	Ratwatte Cocoa	500	380 „
1892	St. Heliers Tea	500	800 „
1888	Talgaswella Tea	100	32½
1894	Tonacombe Estate	500	575
1893	Udagama Tea and Timber	50	25 nom.
1892	Upper Maskeliya Estates	500	675
1894	Uvakellie Tea	100	70
1892	Wana Rajah Tea	500	1,310
1888	Yataderia Tea	100	270

COMPANIES FORMED in 1895 and SUBSEQUENTLY.

Year.	——	Par.	Present Value.
		Rs.	Rs.
1895	Ceylon Hills Tea Estate	100	65
1895	„ Provincial Estates	500	485
1898	„ Tea and Cocoanuts Estates	500	550
1895	Claremont Estate	100	50 nom.
1895	Clyde Tea Estates	100	100
1895	Doomoo Tea	100	67½
1895	Estates Co. of Uva	500	450
1895	High Forests Estates	500	425
	„ „ „ part paid	250	225
1896	Kalutara Co.	500	330
1897	Kanapediwattie Tea	100	95
1896	Kandyan Hills Tea	100	50 nom.
1895	Kelani Tea Gardens	100	90
1895	Kirklees Estates Co.	100	167½
1896	Knavesmire Tea Estates	100	72½
1895	Nyassaland Coffee Co.	100	90 nom.
1895	Ottery Tea Co.	100	125
1895	Palmerston Tea Co.	500	500
1895	Patiagama Plantations	—	—
1896	Penrhos Estate Co.	100	90
1896	Rayigam Co.	100	60 nom.
1895	Roeberry Tea	100	70 „
1895	Ruanwella Tea	100	67½
1895	Stinsford Tea	100	100
1895	Udabaga Co.	100	65
1895	Union Estates	500	360
1896	Vogan Tea	100	75

PRACTICALLY PRIVATE COMPANIES RECENTLY FORMED, and UNQUOTED.

Year.	——	Par.	Capital Issue.
		Rs.	Rs.
1897	Agra Tea Co.	—	—
1897	Donnybrook	100	120,600
1897	Gangawatte Estates Co.	100	178,500
1897	Malay Sates Coffee Co.	100	25,000
1897	Neboda Ceylon Tea Co.	500	255,000
1897	Oodoowere Estates Co.	—	—
1897	Pitakande Tea Co.	500	280,000

By way of supplementing the records of the produce companies we append a list of the local commercial companies, from which it will be seen that, apart from the under-capitalised and unfortunate Spinning end Weaving Company, they have generally rather more than held their own, with the exception of the up-country hotels and the Bristol, which would all appear to have been influenced adversely by the cloud at present over the planting interest. This concluding table is as follows:—

COMMERCIAL COMPANIES.

——	Par.	Jan. 1		Mar. 1, 1898.
		1896.	1897.	
	Rs.	Rs.	Rs.	Rs.
Adam's Peak Hotel	100	105	100	90
Bristol Hotel	100	112½	100	90
„ 7 % Deb.	100	—	—	101
General Steam Navigation	100	95	85	105
Spinning and Weaving	100	55	40	10
„ „ 7 % Deb.	100	—	—	90
Colombo Apothecaries	100	97·50	109	125
Colombo Assembly Rooms	20	}	nom.	{ 12½
„ „ Prefs.	20	}		{ 17
Fort Land and Building	100	105	95	90
Colombo Hotels	100	275	322½	325
Galle Face Hotel	100	105	103½	120
Kandy Hotels	100	100	90	80
Kandy Station Hotel	35	—	—	nom.
Mount Lavinia	500	—	—	495
„ part paid	450	—	—	450
New Colombo Ice	100	150	180	190
Nuwara Eliya Hotels	100	100	95	70
Public Hall	20	15	17½	17½
Wharf and Warehouse	40	90	85	75

No. 43.

MEMORIAL from certain INHABITANTS of CEYLON.

The Right Hon. Joseph Chamberlain, M.P., Her Majesty's Secretary of State for the Colonies, Downing Street, London.

The Memorial of the undersigned Inhabitants of Ceylon,

Respectfully sheweth,

THAT they represent the general community of the island, embracing all classes, and that they humbly beg to set forth the disadvantages under which they are at present suffering, and the deplorable condition to which the producing and exporting interests of the colony are being reduced, owing to the policy of the Indian Government in regard to the currency and the resultant artificial rate of exchange and dearness of money.

2. That this colony is dependent on India in a very large measure for its labour and for its food supplies, these having to be paid for in rupees. The currency of Ceylon is identical with that of India, and cannot now apparently be dissociated from it.

3. That with interest and discount ruling as they are now, at about 15 per cent. on approved security in Colombo, and even higher at outlying districts, the severe strain is exercising such a very adverse influence, that no industry can for any lengthened period stand it, and that business of all kinds is restricted and is being gradually strangled.

4. That the staple export products of this colony are not grains or cereals which are cultivated annually, and which, if found to be unprofitable from any cause one year, need not be cultivated the next, but consist of articles the cultivation of which requires a large capital outlay, and which have taken years to bring into production. If, therefore, the cultivation of these products be rendered unprofitable, and over a large proportion of the cultivated area of the colony, this point is dangerously near, the land will have to be abandoned, and the result would be the loss of capital that has been invested and of all the time and energy that have been spent. In a word, it would mean ruin to many of those engaged in these industries, and

prove a serious loss to the Government and colony generally. There might then be a recurrence of the calamities which afflicted the colony after the failure of coffee.

5. That from its dependent condition the colony, merely by its adoption of the Indian currency, is obliged to be a party to the arrangements which were proposed and carried out for the supposed benefit of India, and is without any apparent means of extricating itself from its present difficulties.

6. That as the success of the efforts to establish the rupee at 1*s.* 4*d.* under the present policy depends upon the success attained in rendering it scarce, it is manifest that so long as this scarcity is maintained money will be dear, all business be carried on with difficulty and the prosperity of this island endangered.

7. That they do not believe that the Indian Government anticipated this effect of its policy, and they would urge a consideration of the position on your part in the interests of this island, more especially as, when the action was taken, the ill effects of which they are now suffering from, the interests of the producers in India, largely consisting of uneducated natives, unable to voice their own interests, were overlooked.

8. That the producing interests of Ceylon, your memorialists would point out, are overwhelmingly more important than any other, and these interests through the colony's exports, over two-thirds of which are sent to the United Kingdom, suffer in a disastrous way from an artificially inflated rupee, since so many of its products compete with those exported by other countries using a silver currency based on silver bullion value.

9. That whilst fully recognising the difficulties of the Indian Government, your memorialists are of opinion that any tampering with the currency must be injurious to the trade of this colony, upon the prosperity of which all revenue, public and private, is dependent, and they pray that such steps may be taken as may be effectual to afford them speedy relief.

Colombo, 25th March, 1898.

(Signed) N. N. Mitchell,
Mercantile Member of Legislative Council
(and 88 other Signatures).

No. 44.

Telegram from the Ceylon Chamber of Commerce.

Telegram of 14th June, 1898, to Sir Henry Fowler.

Ceylon Chamber Commerce identifies itself with Currency Memorial Inhabitants Ceylon 25th March. Chamber further strongly condemn currency proposals, Government India.

No. 45.

Letter from Mr. E. Harcourt Skrine, to the Right Honourable J. Chamberlain, M.P.

Sir,

As an owner of tea property in Ceylon, I have the honour to offer some remarks on the subject of the currency, which has, I understand, been dealt with in a memorial to the Colonial Office by the Ceylon Planters' Association. That memorial had not been published when I left Ceylon last month, and it was therefore not in my power to address any representation on it through the official channels, but, inasmuch as I deduce some very different conclusions from the premises upon which the case for the planter is there argued, I venture to hope that I may be allowed to submit this letter for your consideration.

In so far as the Planters' Memorial is descriptive of the mischievous results to the Ceylon tea grower from the enforced contraction of the currency, it must command the loyal support of all producers, but when it goes beyond this, to recommend as a remedy the re-coinage of silver on the basis, as I understand, of a somewhat lower exchange for the rupee, I think it is time to bring to light some of the fallacies that in my opinion have obscured the judgment of the drafters of that memorial.

To instance these fallacies, I must refer you to Clauses 20 and 26 of the Memorial.

The concluding paragraph of Clause 20 says: "The "rate for peasant labour in the Central, Western, and "Sabaragamua Provinces appears to have remained "fairly constant at about three days labour for a "rupee, but that rate had only recently been attained "in 1870. The rate in 1864 was generally a little "lower."

Clause 26 says: "With reference to the possible "readjustment of local wages and prices measured in "silver, while we find that there is in Ceylon a slight "tendency towards increasing wages and a more "general tendency towards increasing prices, such "increase bears no actual proportion to the progressive "decline in the gold price of silver, and it can hardly "be attributed thereto. It is our opinion that the "date of such a general adjustment of wages and "prices is uncertain; that it will probably be remote, "and that it may be postponed for an indefinite period "of time."

The object of both these clauses is to establish the contention that India and Ceylon as silver-using countries are incapable of re-measuring their commodities in gold. I admit that there is much apparent justification for this contention, opposed though it be to an inevitable natural law, but the fact that it is so opposed should have led the planting body to regard their inferences with suspicion.

The Planters' Association accepts the fact that the rate for peasant labour has remained constant at about three days' labour for a rupee from 1870 to 1898, as proof that the decline in the gold price of silver has not resulted in a proportionate rise of wages. It is the purpose of this letter to show that while the labour wage has, it is true, remained constant at three days' labour for a rupee, the value of that wage to the coolie has been enhanced fully 40 per cent. during that period —or the equivalent of the fall in silver—by compensating advantages.

To trace these it is necessary to give a brief review of the labour wage for the past 34 years.

The Memorial admits that (1) during a period of par of exchange 1864 to 1870, the coolie wage was rising to some slight extent. That rise was commensurate with a staple trade price for coffee, and may fairly be taken to indicate a normally appreciating labour wage.

(2.) A second period, 1872 to 1881, was a period of great inflation, coffee prices rising from 65*s.* per cwt. to 130*s.* This inflation was reflected in Ceylon by correspondingly higher cultivation. Labour that had in previous years been paid off after crop, to return to distant homes in India, was kept on for manuring and other works. Consequently the normal condition of a slowly rising wage was arrested, and made up to the cooly by this new found employment during the slack season. This period of high cultivation, the latter years of which balanced the first fall in silver, may be said to have ceased in 1881, when leaf disease and a collapse in the price of coffee brought the country to the verge of bankruptcy. It was succeeded by (3) a period of transition from the cultivation of coffee to that of tea. During this period, 1881 to 1885, the coolie wage was, it is true, still constant at three days' labour for a rupee, but the coolies were often not paid at all, and on some estates worked for years on a bare subsistence in rice. On estates worked with reserve capital a very rigorous task was exacted, such as is certainly quite unobtainable from the coolie of 1898, and a fuller value to the producer was undoubtedly obtained for the same wage. The argument of the apparent uniformity of the wage at the period preceding tea is, therefore, of little account. The coffee enterprise, while favoured by the exchange, may be compared to a ship with a favouring breeze, struggling vainly against a maelstrom. Indeed, so disastrous to labour was the ruin of coffee that, notwithstanding the collapse of silver which accompanied it, wages, that should have risen in accordance with a natural law, were actually lower estimated in the balance of earnings available to the coolie than they were when the exchange was at par. The natural result of all this was that the country was being rapidly denuded of coolies.

With these conflicting influences at work, it is idle to assume that the uniformity of wage had, up to 1885, anything necessarily to do with the question.

Period 4.—Subsequent to 1885, the uniformity of wage argument is still further discounted by the altered circumstances to the coolie in tea. Whereas, in coffee, a large proportion of the labour force was paid off to return to their homes at the end of crop, the women that remained worked half time, and the children not at all; the whole Tamil family finds in tea a

constant full wage all the year round, and the women and children—the least useful labourers in coffee—have become the labour most in request in tea. The wage continues the same, "three days' labour for a "runee" but the earnings of the Tamil family have increased fully 40 per cent., or very nearly, if not quite, the equivalent of the fall in the gold value of silver, which the Planters' Memorial contends has had no such result. These advantages to the coolie (equivalent to a direct rise in wages) have been further added to by improved journey facilities to India. The Southern Indian Railway to Tuticorin, made in 1875, gave the coolie direct communication with his Indian home, superseding a toilsome march of many hundred miles by the circuitous Northern Ceylon route *viâ* Mannar, a route which was quite impracticable for weakly women and children. I am satisfied that this view of the question has been entirely overlooked hitherto, and that, if it is fairly sifted, it will be found that the coolie has been more than compensated for the fall in the purchasing power of his wage by the increased volume of wage earnable, and by easy access to his country.

The contention of the Planters' Memorial—that prices have remained unaffected by the fall in silver—can be similarly tested in the history of the rice market. This article, less than any other produce, lends itself to remeasurement with the rise or fall of the precious metal used as currency, because it is cultivated on lands that can grow little else.

It will be found that previous to the great famine in 1876 rice was selling in Kandy at Rs. 3 per bushel, and in 1895 previous to the last famine at Rs. 3·50, or a rise of 16 per cent. The latter price, however, by no means represented the real rise in value paid to the Indian producer, for his cost of transport in 1896 had been enormously reduced by railways and cheaper freights. If allowance is made for this it will be found that the price received by the Indian rice grower in 1896 was some 30 to 40 per cent. higher than in 1875, so that here again the natural law of remeasurement of the commodity in the currency had been at work.

In those two main instances—the coolie wage and the price of rice—a nominal but deceptive sameness of rate in Ceylon is used as an argument to support the contention that these commodities have not remeasured themselves in silver, and therefore will not remeasure themselves in gold if the latter currency is resorted to. I arrive at the opposite conclusion, and am of opinion that if the depletion of the Indian original currency silver is rectified by an influx of gold to restore the equilibrium between currency and commodities the producer, equally with all other classes, will be benefited. Mr. Allan Arthur, in his standard letter, has shown the disadvantages certain to recur by a partial re-opening of the mints to silver, which is what the Ceylon Memorial advocates. The result to Ceylon tea of such a policy would be to foster the existing over-production which is likely, in any case, for some years to be a greater hindrance to profits than the recent high exchange.

On the other hand, the introduction of a gold standard will have the following beneficial effects. If the transfer is made at a fair rate—and I consider a fair rate to be that which was ruling before the American legislation which led to the closing of the Indian Mint in 1893, and which I will take, for this and other reasons, at 1*s.* 3*d.* per rupee—the results to the tea producer will be (*a*) he will have a fair amende made to him for the present unduly high rate than that recently forced upon him; (*b*) the stringency of the money market, as evidenced by prohibitory bank rates of interest will cease; (*c*) the English investor will acquire confidence and lend money on mortgage in Ceylon at 5 per cent. where he would not now (under the uncertainty of ever getting his capital back) lend it at 10 per cent.; (*d*) there will be a mitigation, if not an end, to the recurring periods of inflation and depression, which have been most injurious to sound enterprise, and must continue to occur with an untrustworthy currency medium. There will be less phenomenal profits but they will be constant; (*e*) the transition to gold will furnish the opportunity for reconsidering the coolie wage. If the Southern Indian rate of 4 as. for men and 2½ as. for women commands a full supply of labour there, the Ceylon rates of 6 as. for men and 5 as. for women, taken in connection with the new journey facilities, would appear too high. At any rate the subject would have to be reconsidered, if only to supersede the custom of making profits on rice, which has always been a considerable factor in Ceylon in the wage question. These profits are likely to be very considerable if rice comes to be remeasured in gold, and, being always open to misconception, it would be better to abandon them in favour of a reduced wage; (*f*) the steadiness given to the cost of production would induce the planter—instead of looking to the fall of exchange to help him—to develop his own latent economies. There is no doubt that labour is not nearly as efficient as it might be, estates having been flooded with new and untrained coolies supervised by young men from England, who are gaining their experience at the expense of the industry; (*g*) when these results have been worked out, it will be found that there is little to fear in the competition from silver-using countries on which so much stress is laid in the Planters' Memorial.

Our China competitors will be unsupported by cheap capital as in Ceylon, and rice—the food of the China coolie—must rise in price as the gold countries purchase it. The quality of China labour must also deteriorate in proportion as it is ill-paid and ill-fed.

I have ventured to suggest the transition from a silver to a gold currency at the rate of 1*s.* 3*d.* per rupee not only because it appears a just rate, but also because it will lend itself better than any other to the double necessities of England and India, seeing it would be represented by a gold coin the equivalent of 12*s.* 6*d.* in England and Rs. 10 in India. The present stock of rupees is not more than sufficient for token requirements, and it must be remembered that the burden of currency work in the East will always fall on the token coins; *e.g.*, in monthly payments for labour, the individual wage, after deducting food supplies, but seldom reaches Rs. 10. This fact disposes of the idea that the demand for gold for circulation in India will ever in any way compare with the like demand for it in England, where the labour wage is so much higher and food is not made part of the terms of payment.

This letter of course accepts the theory that the Indian Government was justified by the cyclonic disturbance to the currency created by American legislation in contracting the Indian currency to meet a special danger, but the object having been served, it is bound to revert to a sound principle which at the present stage can only mean a *bonâ fide* gold currency for India.

I have, &c.,
(Signed) E. Harcourt Skrine.

New University Club,
St. James' Street,
9th May 1898.

No. 46.

Letter from Mr. E. Harcourt Skrine to the Indian Currency Committee, supplementing No. 9.

Claverton Manor, Bath,
Dear Sirs, 23rd November, 1898.

As Mr. T. N. Christie has been examined at great length on the Currency question as it affects the Ceylon planter by your Commission, I venture to request that I may be allowed to supplement my own paper in support of a different view on the same subject by the following remarks.

Whereas the Ceylon Planters' Memorial in effect represents the views of the local agents of dividend-earning tea companies of recent growth, my connection with Ceylon dates from 1872, during all which time I have remained in possession of my estates as a *bonâ fide* cultivator and continued to develop them through all the vicissitudes of production. On the ground, therefore, of the producer I claim to speak with experience, if not with authority. The producer, however, represents but one of at least three conflicting interests affected by the currency question, and I can well understand that his evidence should be limited in just proportion.

My own views, however, are not those gained by a producer only, for I have had quite as much experience as an importer of Manchester goods. During the three years which marked the first great fall of silver—1876 to 1879—I was in charge of a business house in Southern India, and was fully sensible of the injurious effect of the depreciation of the rupee on import business. Whatever, therefore, my private feelings might be as a producer, of the advantages of cheap silver, its disadvantages to the importer were equally apparent. I venture to think that this dual experience is one not

generally shared in by the witnesses you have examined. Moreover, since my memorial was sent in much additional light has been thrown on the feasibility of a gold standard in India, and it is in connection with this question that I should like to supplement my paper. In it I advocated the transition from a silver currency to a gold one at 1*s.* 3*d.* per rupee, having for its basis a gold standard and currency coin, to be minted in India, the equivalent of 10*s.*

It has been remarked to me that others have advocated 1*s.* 2*d.*, and others again 1*s.*, why then should a 1*s.* 3*d.* basis be accepted more than either of these? On the same argument it might be added that the Government proposal of 1*s.* 4*d.* is equally fanciful, but I venture to submit that the claim to transfer at 1*s.* 3*d.* has alone, of all others, a logical basis, inasmuch as that was approximately the rate current when the mints were closed. From a purely logical, and therefore just, point of view, the transfer should then and there have been effected, and any forcing up of the value of the rupee subsequently is, on economical principles, indefensible. As it is my duty to confine my arguments to Ceylon I shall show that the 1*s.* 4*d.* rate is injurious to the interests of both labour and capital in that country.

My memorial has shown that under the circumstances of tea, the labour wage is abnormally high at present. The tea industry, which could afford to pay that wage with a 1*s.* 3*d.* rupee, cannot do so if a 1*s.* 4*d.* basis is insisted on. If this industry, on which the island revenue depends, is to be sustained, it must be by either lowering the rates of cooly pay or by giving effect to the logical and just exchange rate of 1*s.* 3*d.* The first solution would be a drastic but dangerous remedy which can only be imposed by the proprietary, or accepted by the labour, after much distress and incalculable loss to both, which will have its echo in England in raising the price of tea, the principal beverage of the masses. If such a result comes about its origin will be fully explained to them. On the other hand it is in the power of the Government to ease the situation by transferring at 1*s.* 3*d.*, and save Ceylon from a calamity which may only in degree be inferior to the state of things in Barbados, and which it will have itself imposed.

I have still two remarks to add to my memorial. The first is to anticipate the assumption that a gold currency in the East will be absorbed for hoarding. Lately in Ceylon I have had sovereigns offered me by a native banker in the interior at below their Colombo market value, and seeing that the enormous volume of gold which is absorbed annually in the East is obtained at cost price the demand for hoarding is fully met as it is. An Indian mint would come into competition with this demand and attract gold now hoarded, more especially in times of stringency.

The other remark, also from a Ceylon standpoint, is as to the necessity, if a gold standard is adopted, that it shall be reasonably effective for purposes of currency as well, and that it shall correspond with the note circulation. The sovereign does not meet these requirements. It corresponds with no note issue in India, and in Ceylon where the Colony has been made to think in decimals by the Government, it will have no currency utility whatever. It will serve only to illustrate the expression, "If thy son ask bread of thee wilt thou give him a stone?"

I am, Sir,
Yours truly,
(Signed) E. Harcourt Skrine.

The Members of the
Indian Currency Committee,
c/o Robert Chalmers, Esq.,
Secretary, the Treasury.

No. 47.

Letter on Ceylon Currency, by Mr. H. W. Gillman. (Received through the Colonial Office.)

Clonteadmore, Coachford,
Co. Cork, 9th July 1898.

Ceylon Currency.

Right Hon. Sir,

Some unknown friend has sent me a copy of the letter addressed to the Secretary of State for the Colonies (under date 19th May last) by the vice-president of the Ceylon Association in London on the above subject in connection with the present currency proposals of the Indian Government.

I take the liberty of inviting consideration to the fact that, of the evils which are indicated in this letter, one is beyond control, and as regards the other it is open to the Colony at its own option to adopt a remedy.

Two chief arguments are put forward in that letter as follows:—

1st argument—That the establishment of the rupee at 16*d.* has so curtailed profits of tea estates as to raise alarm as to the future of the industry and to check any further extension of the tea acreage.

But a consideration of the *net* gold prices of tea, with the cost of production per lb., and with the rise and fall of exchange of the rupee since 1893 (when the mints in India were closed) to the present year 1898, shows that the decrease of profits has been due more to the fall in price than to exchange. A few figures taken from the letter in question and from the very useful curves of prices, &c. appended thereto will make this clear, thus:—

	Tea per lb.	
1893—Average net* gold price in London - -	7·50	pence.
Cost of production† with rupee at 15*d.* - - -	4·28	„
(Exchange 15*d.*) profits per lb.	3·22	„
1895—Average net gold price in London - -	7·17	„
Cost of production with rupee at 13·3*d.* - - -	3·80	„
(Exchange 13·3*d.*) profits per lb. -	3·37	„

That is about the same profits as in 1893 though rupee had fallen 1⅔*d.*; and in this year if the price had remained the same (7½*d.*) as in 1893, the profits would have been 3·70*d.*, so that a fall in exchange of 1⅝*d.* (*i.e.*, from 15*d.* to 13·3*d.*) made a difference of profits, of only about ½*d.* per lb. of tea. The present year, further, shows the effect of the fall in price, thus:—

	Tea per lb.	
1898—Average net gold price of tea in London - -	6·30	pence.
Cost of production with rupee at 16*d.* - -	4·57	„
(Exchange 16*d.*) profits per lb. -	1·83	„

If the rupee had been at 15*d.* the profits would be only about ½*d.* per lb. more; and, if the rupee had been at the low figure (13·3*d.*) of 1895, the profits would be but ¾*d.* more per lb.

Or, the point may be put in other words in this way, the difference in profit per lb. between 1893 and 1898 is 1·39*d.*, of which only about ½*d.* is due to the rise in exchange from 15*d.* to 16*d.*, while the rest, over 1*d.*, is due to fall in price of tea. In fact a rise of 2*d.* in the exchange of the rupee makes a decrease of only ½*d.* in profits per lb. of tea, and has, therefore, only one-fourth the effect in diminishing profits that a fall of 2*d.* in the price would have.

It must, however, be noted here that many estates in Ceylon do not obtain for their tea the average price of 6·3*d.* last mentioned above: there are several whose tea nets little above 5*d.* per lb. The margin of profits in such cases approaches evanescence; and cultivation on those estates will probably have to be abandoned till prices chance to rise. A Ceylon correspondent lately informed me that a further fall of ½*d.* per lb. of tea in London would throw out of cultivation estates whose out-turn totals to about thirty millions of lbs. per annum; of course such a check to production would tend to cause prices to rise again, that is, if competition with China, a silver-using country, may not prevent such a rise in prices.

On the whole the tea industry in Ceylon, on which the prosperity of the colony depends, is in a critical condition at present. But, as regards the question of exchange, I do not see how the Colony can expect relief in that direction, because the interests of the great empire of India are paramount, and these require

* *i.e.*, 1½*d.* below the gross price shown in the curve appended to the letter.

† 126 million lbs. of tea are produced at a cost of 36 million rupees, this is a cost of 28⅝ cents. per lb. (100 cents. Ceylon = 1 rupee) and is practically independent of fluctuations in exchange.

that the gold value of the revenue shall be stable, at its present amount at the least, without the imposition of further taxation of the people; and the State must secure this object even though any private interests may suffer thereby.

The second chief argument in the Ceylon Association's letter is to the effect that the tea and other industries, that compete in other markets with the produce of China and other silver-using countries, will be so handicapped by the high value of the rupee as compared with that of silver, that those industries are likely to be extinguished in such a competition. In this the Association assumes that the present currency arrangements and those soon to be adopted in India will be continued in Ceylon. This argument so far as it affected the Indian plantations was fully considered by the Herschell Committee in 1893, who dealt with it in pars. 118–120* of their report. The Committee admitted to some extent the force of the argument, but doubted whether "any very serious prejudice would result" to Indian producers therefrom, and (in par. 120) dwelt on the want of railways and other means of communication in China, and the heavy imposts to which production is there subject; and thought therefore that no serious apprehension need be felt as to the competition of China.

The situation in China is, however, now very different from what it was when the Committee wrote: English factories with best machinery (as the Association points out) will soon turn out thence tea as well manufactured as any in India or Ceylon, and the want of transport will be overcome probably by railways; and I think that both Indian and Ceylon tea planters have much to fear from this competition while they use a rupee stable at about the rate of 16*d.* For instance, supposing both Ceylon and China teas to fetch a net price in London of 6*d.* per lb., this 6*d.* remitted to China will, at 27*d.* the ounce of silver, exchange for about 106 grains of pure silver there, while in exchange with India or Ceylon it is the equivalent of only 62 grains of the 165 which are in the Indian rupee; and thus, since price of labour, &c. has not responded to the change in value of the rupee, the London price will pay for nearly twice as much labour in China as it will in India or Ceylon. The China producer can therefore afford to sell his tea for two or three pence lower than the others; and, if the Chinese manufacture take the public taste, most of the Ceylon and Indian tea estates must be abandoned.

As above stated, the Association have assumed, in the above arguments that Ceylon will or must continue to use the Indian rupee and the gold standard if it be adopted presently by India. Of course it is, speaking generally, a great advantage to any country to have a currency not subject to depreciation or to fluctuations, sometimes violent, in exchange; and it may be here remarked that in 1893 the complaints of merchants and producers were directed more against the fluctuations in the rate of exchange than against the value of the rupee which then stood at about 15*d.*

But if Ceylon is, under present circumstances, content to use a silver currency however liable to variations in value and exchange, is there any formidable obstacle to her doing so, and to her giving up the use of the currency of her great neighbour? Since the occupation of Ceylon, in 1796, by the English, it has been always the case up to 1872 that the currency of the colony was different from that of India; and even when in 1872 the Indian rupee was adopted as the unit in Ceylon, the coin was decimalised there, and the use of the barbarous Indian sub-denominations of annas and pies was rejected. It will be remembered† that before 1825 the Ceylon currency was rix-dollars, coined at the mint in England, with sub-denominations of fanams and stivers. The rix-dollar was a silver coin, worth 1*s.* 5½*d.* with silver at 5*s.* the ounce. In 1825 the British currency was introduced, and accounts were directed to be kept in £ *s. d.*; and British silver and the rix-dollar (at 1*s.* 6*d.*) were declared by regulation to be legal tender to any amount. In 1835 the Indian Government made the Company's rupee of 165 grains pure silver and 15 grains alloy the standard for India; and in the following year the Governor of Ceylon, by notice (not an Order in Council or a Royal Proclamation), stated that the Covernment would put that rupee in circulation in Ceylon at the rate of two shillings.

This did not make the rupee legally current, but nevertheless it was universally accepted, and a debt expressed in British pounds was discharged in Ceylon by rupees at the rate of 10 to the £ as readily as by British currency or rix-dollars.

So it may be seen that, however natural it may be for Ceylon to use the same currency as India, history shows that it has generally not done so, and that it is possible for Ceylon again to use a different currency, and thus to compete on even terms with other silver-using countries such as China. Indeed this was the purport of the answer made by the Herschell Committee*, in 1893, to those who apprehended that Ceylon trade would be prejudiced by the closing of the Indian mints and by the adoption of a gold standard in India, if these currency arrangements should be continued in Ceylon. The Committee said, "it would in that event be open "to the Government of these colonies" (Ceylon and Mauritius) "to acquiesce in the action of India, or to "establish currencies of their own with or without "local mints."

The adoption of some such silver currency by Ceylon, even if it be to continue only for a time, would enable the Colony to tide over its present difficulties, so far as these have arisen from the action of the Indian Government, and to meet the competition of China with an even chance of success; and thus save the Colony from the disaster of the failure of the tea industry on which the prosperity of the whole island is very largely dependent.

It is unnecessary here to go into any detail as to the particular denomination of silver coin which Ceylon might adopt as the unit in such case. The Colony might use the British dollar of Singapore and Hong Kong, which seems to be fairly stable at an exchange value of 22 to 23 pence since Japan adopted a gold standard for her similar coin, the yen; or Ceylon might coin a rupee of her own, of same weight and fineness as the Indian one, but sufficiently distinct therefrom so as not to be mistaken for it, of which latter there would be little danger, for the natives of India and Ceylon are born money-changers. Whatever unit Ceylon may so adopt, Ceylon can pay the cost thereof by exporting to India such rupees as come to her treasury.

I may add that, after some consideration, and from my experience in connection with the details of the change of currency in Ceylon as carried out in 1871–72, I foresee no difficulty in the change now suggested greater, if not less, than the difficulties which were successfully overcome in those years under the government of Sir Hercules Robinson.

I have, &c.,
HERBERT WEBB GILMAN,
Ceylon C. S. (Retired).

The Right Hon.
Joseph Chamberlain, M.P., &c.,
Principal Secretary of State
for the Colonies.

* Report of the Committee appointed to inquire into the Indian currency, 31st May 1893.

† *See* Sessional Papers, Ceylon, session of 1869–70.

* Report, *ut ante*, par. 129.

Papers relating to CHINA.

No. 48.

SHANGHAI: PRICES OF COMMODITIES.

(*Extract from a letter received from the Foreign Office.*)

Her Majesty's Consulate-General,
Shanghai, January 31st, 1898.

I now have the honour to forward a return showing the difference of price in terms of silver of 14 different articles as sold in the native market in the years 1887 and 1897. The list has been compiled from three separate and independent sources, and it represents, I believe, quite fairly the average retail prices in the native market.

In every case it will be seen that the prices have risen even in terms of "cash," and, *a fortiori*, in terms of silver. An office servant who was receiving $8 per month could convert these in 1887 into from 8,000 to

9,000 "cash," whereas now he can only get about 6,880, and, moreover, he finds that for nearly all the necessaries of life he must pay more "cash" than he used to.

In short, it may be said that at the present moment in Shanghai it requires at least $3 to procure the same articles of daily use as could formerly be procured for $2. It is, I think, probable that some of the articles quoted may be unduly appreciated at the moment from temporary causes, but, taking things all round, I am sure that there is a permanent rise of at least 30 per cent. in silver prices.

I have, &c.,
(Signed) G. JAMIESON,
Consul-General.

The Marquess of Salisbury, K.G.,
&c. &c. &c.

Enclosure to above.

COMPARATIVE TABLE of Retail Prices at SHANGHAI for YEARS 1887 and 1897.

Article.	Average Price in Cash.		Equivalent Average Price in Silver.		Increase per Cent. in Silver Prices.
	1887.	1897.	1887.	1897.	
	Cash.	Cash.	$	$	
Rice, per picul -	—	—	3.53	5.27	49
Flour, per catty -	23	36	0.23	0.42	82
Charcoal, per catty	11	15	0.11	0.17	54
Chicken's eggs, each	6	9	0.006	0.110	66
„ per catty	105	144	0.105	0.17	62
Pork, per catty -	110	133	0.11	0.15	36
Fish „ -	82	113	0.082	0.13	58
Vegetables, per catty	10	14	0.010	0.017	70
Oil, per catty -	80	119	0.08	0.14	75
Sugar „ -	69	85	0.07	0.10	43
Salt „ -	18	24	0.018	0.028	55
Soy „ -	39	49	0.039	0.057	46
Tobacco, per catty -	144	190	0.14	0.22	57
House rent -	—	—	2.50	3.75	50

In 1887 the value of the cash is taken at 1,000 per dollar.

In 1897 the average exchange was 860 per dollar.

No. 49.

COST of LIVING in CHINA.

(*Extract from a letter from Sir Claude MacDonald, H.M. Minister at Peking, received through the Treasury.*)

"Owing to the depreciation of silver and the dearness of copper cash, the silver pay of our Chinese employés of all ranks does not nearly represent the same purchasing power that it did some years ago, and the cost of living has consequently greatly increased. To meet this loss in the Customs Service Sir R. Hart has obtained sanction to raise the pay of all his Chinese employés by 50 per cent."

No. 50.

CURRENCY and PRICES in CHINA.

MEMORANDUM by MR. GEORGE JAMIESON, C.M.G., H.M. Consul-General at Shanghai.

The currency of China consists of—

A.—Silver, which is either—
1. Uncoined metal passing by weight.
2. Mexican dollars and British dollars.
3. Subsidiary coinage (decimal parts of a dollar).

B.—Copper cash.

A.—The standard of value is silver, the unit being the tael or Chinese ounce (565 grains).* All Government taxes are levied in taels, the Government accounts are kept in taels, so also are all native banking accounts, and practically all the wholesale trade of the country is carried on in this currency. For convenience, the metal is cast into ingots weighing about 50 taels each. This is done by a private assay office, which will give a certificate of weight and fineness. Government does not interfere in the matter at all. The volume of currency is thus the whole stock of silver in the country. It is added to or diminished by the mere fact of import or export. An importation of, say, half-a-million ounces in bar silver, can be converted into currency at a few hours' notice and at practically no cost at all.

The stock of uncoined silver is supplemented by Mexican dollars, and to some extent by the new British dollar coined in Bombay for the use of the Straits Settlements and Hongkong. Mexican dollars circulate at the open ports of trade and some distance inland, especially in the silk districts near Shanghai. They exchange freely against silver at their intrinsic value or rather better, the rate of exchange varying, however, as much as 3 or 4 per cent., according to the demand. All large transactions between foreigners and Chinese are conducted in silver—either taels or dollars, according to the custom of the port. In Central and North China it is exclusively taels.

For convenience there is now at the ports and vicinity a considerable circulation of small coins—50, 20, and 10-cent pieces. Most of these purport to be issued by the Hongkong Government, but they are really coined in England, and imported by the banks, like the Mexican and British dollars, for use among the people.

Mint machinery has recently been imported and set up at Canton and Wuchang—the capitals of two of the largest provinces. These institutions have tried to issue a coin, about identical in weight and fineness with the Mexican dollar, but the people have not taken to them. The coins have no advantage in paying power over imported Mexican dollars or uncoined silver, and as the cost of minting comes to more than is charged on the Mexican coin they cannot compete in intrinsic value with the latter. Only a small quantity has, I believe, been coined, and the business soon stopped, there being no profit in it.

There is, however, a profit in turning out subsidiary coins and considerable quantities of these continue to be issued. They run concurrent with the Hongkong coins at Shanghai and the other ports, and, I presume, to some extent in the interior where they take the place of copper cash.

There is no law of legal tender in China. Obligations are discharged in the currency in which they were contracted. If you borrow taels you must repay in taels. The price of a thing is so many taels, dollars, or copper cash as may be agreed on, and payment is to be made accordingly.

B. *Copper Cash.*—For all retail trade the medium of currency is the coin known to foreigners as the "copper cash." By regulation it ought to be of a minimum weight of $\frac{1}{10}$ of a tael or Chinese oz., and should contain 50 per cent. of pure copper, 41·5 per cent. of zinc, 6·5 per cent. of lead, and 2 per cent. of tin, also 1,000 should be equivalent to a tael in value. In practice none of these conditions are observed. The existing issues which go back, some of them for hundreds of years, contain coins of all degrees of inferiority, including a proportion of coins which are entirely spurious, yet they all pass current in a way, though sometimes with difficulty. A string of 100 will contain 50 to 60 good coins, 20 to 30 of inferior quality and 10 or 20 of the poorest kind. By custom there is a tolerance of a certain proportion of inferior coins—if more than custom tolerates is attempted, there will be trouble.

The right to coin these "cash" is vested in the officials. The authorities of each province are supposed to issue fresh supplies to meet the wants of the people, that is to say, to coin just so much as will keep the cash constant in relation to silver at the rate of 1,000 per tael. Whether this rate was ever maintained even approximately is doubtful; certainly it has not been so for the past 150 years. Presumably the authorities, finding it was profitable to coin at this rate, went on coining until the cash became so redundant that the price fell to nearly the intrinsic value when, of course, the issue would stop. And by reducing the weight and value of the coins to which there would be a natural temptation it was possible to continue the process and

* This is the weight of the ordinary tael of commerce at Shanghai. The Government or Customs tael is about 11 per cent. heavier. The commercial tael differs in different parts of the country, some being heavier some lighter than the Shanghai tael.

carry the depreciation much farther than would otherwise have been the case. The maximum period of depression appears to have been reached about 1850. According to one authority the following variations have taken place:—

In 1736 the Shanghai tael changed for cash				700
„ 1780	„	„	„	900
„ 1790	„	„	„	1,400
„ 1853	„	„	„	2,000
„ 1860	„	„	„	1,500

I give that for what it is worth, being unable for the moment to verify it further. But at all events for a number of years before and after 1860, the exchange fluctuated between 1,500 and 1,600 cash per tael. Since 1870 the following variations have taken place:—

Dec. 31st,	1870	1,560	Dec. 31st,	1893	1,380
„	1875	1,560	„	1894	1,330
„	1880	1,520	„	1895	1,330
„	1885	1,480	„	1896	1,200
„	1890	1,330	„	1897	1,250
„	1891	1,370	„	1898	1,190
„	1892	1,410	January	1899	1,190

What are the causes of this appreciation, how far are they permanent, and what will be the economic effect on the industry of the country?

Changes of the above nature in the relative value of silver and copper cash must be due to either—

A. An *increase* in the volume of silver currency in China, or

B. A diminution in the volume of copper cash currency either absolute or relative to the growing needs of commerce.

The first alternative may be at once excluded.

The following table shows the Import and Export of Merchandise and Bullion since 1888:—

I.—Merchandise.

Year.	Value in Haikwan Taels (000's omitted.)		Balance.	
			+	−
	Imports. H. Taels.	Exports. H. Taels.	H. Taels.	H. Taels.
1889	111,162	102,596	—	9,066,000
1889	99,056	107,203	8,147,000	—
1890	113,082	96,695	—	16,638,000
1891	118,783	111,499	—	7,234,000
1892	120,753	113,101	—	7,401,000
1893	132,949	127,275	—	5,674,000
1894	143,607	139,547	—	4,060,000
1895	154,685	154,964	279,000	—
1896	184,897	141,685	—	43,212,000
1897	185,194	175,229	—	9,965,000
			Total	− 103,250,000
				+ 8,426,000
			Balance	− 94,824,000

II.—Bullion Table.

Value in H. Taels.

Year.	Imports.		Exports.	
	Gold.	Silver.	Gold.	Silver.
1888			1,678,000	1,911,000
1889		6,005,000	1,625,000	
1890			1,783,000	3,557,000
1891			3,693,000	3,113,000
1892			7,332,000	4,825,000
1893		9,873,000	7,459,000	
1894		26,389,000	12,774,000	
1895		36,685,000	6,624,000	
1896		1,720,000	8,114,000	
1897		1,641,000	8,512,000	
Total 10 Years		82,313,000	59,594,000	13,406,000
Net Export of gold H. Taels				59,594,000
„ Import of silver				68,907,000
The adverse balance of Trade against China by Table I. is			H. Taels	94,824,000
This is reduced by Export of gold				59,594,000
To				35,230,000
Add net Import of Silver				68,907,000
Total adverse balance				104,137,000

which is made up by the recent Government loans on the foreign market, that is, by the total of the various loans since 1894, about 350 million taels, less the Japanese indemnity of 230 millions.

The years 1894–95 no doubt showed a large import of silver which would, in the usual course of things, go somewhat to swell the volume of silver currency, but this import was quite exceptional and unwarranted by the balance of trade either before or after. Moreover as the borrowings of China will in the future entail an annual payment to Europe of about taels 25,000,000 per annum it is manifest that, unless the course of trade greatly changes, there can be no great import of silver for a long time to come. The conclusion, therefore, is that as regards the cash currency the appreciation of the latter cannot have been caused by the superabundance of silver in the country.

The explanation must, therefore, be sought in the alternative cause, viz., a diminution of the cash currency either absolute or relative to the wants of the commercial community. So far as my information goes there has been a diminution, firstly, absolute, by the melting down of some of the full-weighted and better class of coins; and, secondly, relative, by a cessation of the coinage. The evidence I collected in Shanghai tended to show that there has been going on for some years a process whereby the best coins were being abstracted from the currency and melted down for the sake of the copper they contained.

This would be possible only if there was a sufficient rise in the price of copper in terms of silver as compared with the rates prevailing at the time of coinage. Without troubling the Committee with details of the calculation I present the following table as showing the intrinsic value or melting point of copper cash during the last 28 years. It is only for selected coins of best quality, 1,000 of which weigh on an average 8 lbs. 4 ozs. avoir., and on the assumption that the composition is up to standard. The price of copper is the local wholesale price in Shanghai as stated in the Customs Returns, but coincides closely with the prices of copper and silver as given in Sauerbeck's Tables:—

Year.	Price of Copper per lb. in Tael Cents.	Intrinsic Value, or Melting Point.*
1870	12·56	Tael 1 = Cash 1,527
1875	13·65	„ „ 1,396
1880	12·58	„ „ 1,466
1885	11·12	„ „ 1,656
1890	12·38	„ „ 1,568
1891	10·82	„ „ 1,573
1892	11·55	„ „ 1,488
1893	12·??	„ „ 1,419
1894	12·04	„ „ 1,402
1895	15·02	„ „ 1,262
1896	13·78	„ „ 1,308
1897	16·60	„ „ 1,085

* *Note.*—In making the calculation the price of zinc as well as that of copper is taken into account.

This table shows that while there could have been no great temptation to melt down cash during the period 1880 to 1894 there undoubtedly has been such an inducement since that year—an inducement which would be strengthened by a further rise in the price of copper, such as seems to prevail at the present moment, unaccompanied by a corresponding rise in the price of silver.

On the other hand a counteracting influence has been set at work in the resumption of the coinage of copper cash, to the stoppage of which I mainly attribute the appreciation. This appreciation gave rise to numerous complaints and several of the provincial mints which had not been working for years have commenced to issue cash but of an inferior intrinsic value. A string of 1,000 of those new cash weighs only about 5 lbs. 8 ozs. as against 8 lbs. 4 ozs. of the older standard sort, so that assuming they contain the same proportion of copper

their value would be 33 per cent. below standard. At this rate it, no doubt, pays the officials sufficiently well, and it may be presumed that they will go on coining until the exchange value in terms of silver again touches melting point. At the same time the operation of abstracting and melting down the superior coins may go on, their place being taken by the inferior coins from below. If the supply of the latter be sufficient this result must follow under the operation of the Gresham Law.

For the moment, at all events, the appreciation of cash seems to have been arrested, for it has remained steady at about 1,200 per tael since 1896, and if the mints continue working it is more than likely that the reverse process of depreciation will set in, which may, in time, bring back cash and silver to the old relative value.

From the above it will be seen that this cash currency forms a mongrel sort of standard of value of its own. It is not a token coin, for it does not represent any fixed weight of silver, though it was apparently intended it should. Nor is it a standard based on copper, or on copper and zinc, for its composition is not uniform, and, moreover, there is not free coinage. But inasmuch as it plays an indispensable part as a medium of exchange in the interior of the country, quite independent of silver, it would seem to follow that a contraction, either absolute or relative, must have its usual effect in lowering wages and prices generally in its own terms. If it did not, then, inasmuch as cash rose in terms of silver between 1870 and 1894 by about 15 per cent. it follows that the purchasing power of silver must have fallen to an equal degree. But it is quite certain that up to 1894 or 1895 there was no perceptible rise of silver prices in China. Since 1895 there has, no doubt, been a rise in numerous articles of export, mainly owing to the fact that sterling prices have been firmer in foreign markets, a rise which in time would be reflected in cash prices of these articles in the interior. Apart from that, I think it is reasonable to conclude, though I can offer no statistics, that the long continued complaint of the dearness of cash must have tended to cheapen commodities. Rather the contrary, it is true, has been observed in Shanghai, as will be seen from my report on the rise of prices there referred to in Mr. Christie's evidence (Question No. 4623). As to that, I would only say that prices (meaning retail prices) in a busy corner like Shanghai must not be taken as representative of China generally. Their influence would not be felt 100 miles in the interior. That report was written merely as a guide in fixing the fair wages in silver of servants in the public offices at Shanghai, and did not go beyond what, for the time being, was current there.

From the point of view of industrial competition, the conclusions to be drawn are that, as the rise in the silver value of cash since 1893 has been about 13 per cent., the purchasing power of silver in China may have fallen by that per-centage during the same period, but only if we suppose that the whole burden of the change has been thrown upon silver, *i.e*, assuming that cash prices have not varied. And as regards the future, unless the price of copper rises permanently in terms of silver, there seems no reason to anticipate a further enhancement of cash or consequent diminution in the purchasing power of silver, and should the rise in copper be permanent, its effect may be counteracted by the fresh issue of depreciated cash.

G. JAMIESON.

London, February 22, 1899.

Papers relating to JAPAN.

No. 51.

TEXT OF THE NEW COINAGE LAW OF JAPAN, (1897).

(From the 27th Mint Report (1896), (C. 8507).)

ART. I.—The power of minting and issuing coins belongs to the Government.

ART. II.—A weight of 2 fun (11·574 grs.) of pure gold shall be the unit of coinage, which shall be called a *yen*.

ART. III.—The varieties of coin shall be as follows:—

GOLD COINS.

Pieces of 20-yen, 10-yen, and 5-yen.

SILVER COINS.

Pieces of 50-sen, 20-sen, and 10-sen.

NICKEL COINS.

Pieces of 5-sen.

BRONZE COINS.

Pieces of 1-sen, and 5-rin.

ART. IV.—The decimal system shall be adopted for purposes of currency calculation. The hundredth part of a yen shall be called a sen, and the tenth part of a sen shall be called a rin.

ART. V.—The composition of the coins shall be as follows:—

GOLD COINS.

900 parts of pure gold to 100 parts of copper.

SILVER COINS.

800 parts of pure silver to 200 parts of copper.

NICKEL COINS.

250 parts of nickel to 750 parts of copper.

BRONZE COINS.

950 parts of copper, 40 parts of tin, and 10 parts of zinc.

ART. VI.—The weights of the coins shall be as follows:—

——	Momme.	Grammes.
The 20-yen gold piece - -	4·444	(16·6665)
The 10-yen gold piece - -	2·222	(8·3333)
The 5-yen gold piece - -	1·111	(4·1666)
The 50-sen silver piece - -	3·5942	(13·4783)
The 20-sen silver piece - -	1·4377	(5·3914)
The 10-sen silver piece - -	0·7188	(2·6955)
The 5-sen nickel piece - -	1·244	(4·6654)
The 1-sen copper piece - -	1·9008	(7·1280)
The 5-rin copper piece - -	0·9504	(3·5640)

ART. VII.—Gold coins shall be legal tender to any amount. Silver coins shall be legal tender to the amount of 10 yen. Nickel and copper coins shall be legal tender to the amount of one yen.

ART. VIII.—The dimensions of the coins shall be fixed by Imperial Ordinance.

ART. IX.—The legal remedy of fineness shall be $\frac{1}{1000}$ in the case of gold coins, and $\frac{3}{1000}$ in the case of silver coins.

ART. X.—The legal remedy of weight shall be as follows:—

20-yen gold coin; 0·00864 momme (0·0324 grammes); or 0·83 momme (3·1125 grammes) in 1,000 pieces.
10-yen gold coin; 0·00605 momme (0·02269 grammes); or 0·62 momme (2·325 grammes) in 1,000 pieces.
5-yen gold coin; 0·00432 momme (0·0162 grammes); or 0·41 momme (1·5375 grammes) in 1,000 pieces.

In the case of the silver coins the legal remedy of weight shall be 0·02592 momme (0·0972 grammes) for each piece; or 1·24 momme (4·65 grammes) in each 1,000 pieces of 50-sen; 0·83 momme (3·1125 grammes) in each 1,000 pieces of 20-sen; and 0·41 momme (1·5375 grammes) in each 1,000 pieces of 10-sen.

ART. XI.—The minimum circulating weights of the gold coins shall be as follows :—

	Momme.	Grammes.
20-yen gold coin - - -	4·42	(16·575)
10-yen gold coin - -	2·21	(8·2875)
5-yen gold coin - - -	1·105	(4·1438)

ART. XII.—If, in consequence of friction from circulation any of the gold coins fall below the minimum circulating weight, or if any of the silver, nickel, and copper coins becomes visibly reduced owing to the same cause, or, if any coins become inconvenient for purposes of circulation, the Government shall exchange such coins for others of the same face values, without making any charge.

ART. XIII.—If the design upon a coin becomes difficult to distinguish, or if it has been privately restamped, or otherwise defaced, it shall be regarded as unfit for circulation.

ART. XIV.—Should any person import gold bullion and apply to have it minted into gold coin, the Government shall grant the application.

ART. XV.—The gold coins already issued shall circulate at twice the value of the gold coins issued under the provisions of this law.

ART. XVI.—The silver 1-yen coins already issued shall be gradually exchanged for gold coins, according to the convenience of the Government, at the rate of one gold yen for one silver yen.

Pending the completion of the exchange referred to in the last paragraph, silver 1-yen coins shall be legal tender to an unlimited extent, at the rate of one silver yen for one gold yen; and the suspension of their circulation shall be notified six months in advance by Imperial Ordinance. Any of these coins not presented for exchange within a period of five full years, reckoned from the day on which their circulation is suspended, shall be regarded thenceforth as bullion.

ART. XVII.—The five-sen silver coins and the copper coins already issued shall continue in circulation as before.

ART. XVIII.—From the day of the promulgation of this law, the coinage of 1-yen silver pieces shall cease; but this restriction shall not apply to silver bullion entrusted to the Government for coinage prior to that day.

ART. XIX.—All previous laws or ordinances conflicting with the provisions of this law are hereby rescinded.

ART. XX.—With the exception of Art. XVIII., this law shall go into operation from the first day of the tenth month of the 30th year of Meiji (October 1st, 1897).

NOTE.—*From the above it will be seen that the new gold yen will contain half the weight of pure metal of that hitherto issued under the law of* 1871, *and the ratio of gold to silver will be as* 1 *to* 32·348.

No. 52.

REPORT on the working of the GOLD STANDARD in JAPAN.

(*Received through the Foreign Office.*)

The law substituting the gold standard for the silver standard came into force October 1, 1897.

There are three points on which Her Majesty's Secretary of State for India desires information.

(*a.*) Freedom or restriction of conditions under which the public can, if they wish, withdraw gold from the State Bank for exportation.

(*b.*) The extent to which gold is being put into circulation among the community generally.

(*c.*) How far there is, in Japan, any apprehension among business men that gold will leave the country.

As to (*a*) there is absolutely no restriction upon the withdrawal of gold for exportation.

As to (*b*) the Japanese people have for the past thirty years used bank notes and small subsidiary coins, silver, nickel, and copper in making payments, and the habit has become so ingrained in them that there does not seem to be any likelihood of their taking to the use of gold coin in place of notes. It has even happened that paper has been at a premium as compared with coin.

According to statistics recently published in the Government Gazette, the amount of coin in circulation on October 1, 1897, was estimated at 85,397,415 *yen*, of which 5,622,354 *yen* was in gold. (*See* Annex A, Coin in circulation.)

The corresponding figures at the end of January 1898 were 92,329,664 *yen*, of which 16,554,429 was in gold. At the end of February these figures were estimated at 94,706,854 *yen* and 17,369,987 *yen* respectively, and at the end of March the coin in circulation was estimated at 99,602,230 *yen*, of which 15,898,313 *yen* was gold.

Of the amount of gold in circulation, it is calculated that 10,000,000 *yen* may be in the possession of national and private banks, the rest being in the hands of private individuals. This latter amount can only be kept for hoarding, as it is not seen passing from hand to hand among the people.

As to (*c*) business men apprehend that gold will leave the country, and the Japanese authorities entertain the same apprehension.

On October 1, 1897, when the gold standard came into effect, the quantity of gold (including coin and bullion) in the possession of the Treasury and the Bank of Japan respectively was in round numbers.

	77,390,000 *yen*
	84,013,000 *yen*
in circulation	5,622,354 *yen*
	167,025,354 *yen*

On April 1 these figures were respectively

	49,722,123 *yen*
	73,296,104 *yen*
	15,898,313 *yen*
	138,916,540 *yen*

showing a decrease of 28,108,814 *yen*.

This corresponds very closely with the amount believed to have been exported during the six months that have elapsed since October 1, 1897.

The following are the monthly statistics taken from the Customs returns :—

1897—October - - -	2,001,732
November - -	4,200,846
December - - -	2,550,936
1898—January - - -	4,516,400
February - - -	4,840,056
March - - -	10,933,972
	29,043,942
Less amount imported during the same period - -	821,749
	28,221,193

The figures include the amount sent away by parcel post, which is estimated at 3,000,000 (*see* Annex C).

By article XVI of the Coinage Law of which a translation* was enclosed in Despatch No. 44 of March 3, from Her Majesty's Legation to the Foreign Office, it is provided that the silver coins in circulation shall be gradually exchanged for gold coins. The amount thus given out in exchange for silver during the six months from October 1, 1897, to March 31, 1898, was $32,480,245. During the same period a further sum of $31,606,709 was exchanged for notes, making in all $64,086,954, but from this must be deducted $13,817,213, being the amount of gold received for notes and silver *yen*, the difference being $50,269,741.

It was anticipated that silver *yen* would be imported from abroad for the purpose of obtaining gold in exchange. As is well known these coins are legal tender in the Straits Settlements, and a large quantity has been absorbed by Hong Kong and China. The total amount exported up to January 1897 reached 112,000,000 *yen*, and it was estimated that 35,000,000 silver *yen* might come back to this country. The amount actually imported during the six months has, however, been only 8,140,578 silver *yen*.

The Japanese Government has lying to its credit in London a sum equivalent to 31,935,107 gold *yen* and

* See *supra*, No. 51.

expects to receive from China on or about 8th of May next the balance of the war indemnity, amounting to 12,008,857*l.*, when a sum of something over 15 millions sterling in all will then be at the disposition of the Japanese Government. But of this a large portion will be required for payments abroad for ships, guns, and machinery ordered or purchased by the Government.

If the present rate of gold export be continued during the next two years nearly the whole of the existing stock of gold in the country will be exhausted. And as the payments which have to be made abroad on account of ships, guns, machinery, and so forth during the next five years are very large, some means, it is felt by the Japanese Minister of Finance, ought to be adopted to check the outflow of gold. (*See* annexed Statement D.) Already the rate of interest on loans of the Bank of Japan has been raised to 8¾ per cent., and that of discount to 9½ per cent. The example of the Bank of Japan has been followed by the other banks. Some of the latter in order to attract deposits offer 7 per cent. on 12 months' deposit and from 5 to 6 per cent. on current accounts. Whether these high rates will have the effect of checking the drain of gold seems to be doubtful, and in the belief of some financial authorities the action of the Bank of Japan has been solely with the view of reducing its note issue; which, according to a statement of the president of the bank on February 20th last, then stood at 226,220,000 *yen*; or was 47,310,000 *yen* in excess of the limit allowed by its charter.

The latest report of the Bank of Japan (for April 18–23, 1898), however, gives the following figures:—

66,852,288 *yen* issue against gold reserve.
112,909,745 *yen* issued against securities.

Total 179,762,033, showing a considerable decrease.

The limit allowed by charter is 85,000,000 against securities, and this was exceeded by 31,214,489 *yen* during that week.

Since 1896 the balance of trade has been against Japan. In 1896 it was 53,831,740 *yen*; in 1897 56,165,694 *yen*; in 1st quarter of 1898, 31,910,055 *yen*.

To a very large extent this balance has been met by bills drawn against the Government reserves lying in London.

The adverse balance has in a great measure arisen from the sudden development of the railway system, the expansion of the cotton spinning industry, and the increase of merchant shipping. Various municipal undertakings, especially the improvement of the water supply in the chief towns, have also necessitated large expenditure in Europe.

A.

Amount of Coin in Circulation on September 30, 1897.

Amount.—85,397,415*yen* 34 *sen* on September 30, being an increase of 668,349 *yen* 82 *sen* 8 *rin* over the preceding month, and of 11,851,303 *yen* 24 *sen* 6 *rin* over the corresponding period of previous year.

These figures are shown as follows:—

Description.	In circulation at end of September.	Increase over previous month.	Increase on corresponding month of last year.
Gold - -	5,622,354 442	194,432 128	143,141 474
Silver:			
1 yen and trade dollar -	37,525,036 000	347,434 000	7,565,299 247
50 sen and under -	26,272,993 550	126,808 700	3,634,710 100
Total -	63,798,029 550	474,242 700	11,190,009 347
Nickel -	6,626,078 400	225	554,663 200
Copper -	9,350,952 848	100	36,510 775
Total -	85,397,415 340	668,349 828	11,851,303 246

Amount of Coin in Circulation in 1898.

On January 31 the amount of coin in circulation was 92,329,664 *yen* 94 *sen* 2 *rin*, being an increase of 564,407 *yen* 51 *sen* 4 *rin* over the preceding month, and of 11,809,239 *yen* 80 *sen* 6 *rin* as compared with the same month of the preceding year.

On February 28 it amounted to 94,706,854 *yen* 9 *rin*, an increase of 2,377,189 *yen* 6 *sen* 7 *rin* over the preceding month, and of 13,973,744 *yen* 70 *sen* 2 *rin* as compared with the same month of the preceding year.

The above figures are explained by the following table:—

Amount at end of January 1898.

Description.	In Circulation at end of January.	Increase over preceding month.	Increase over corresponding month of last year.
Gold - -	16,554,429 194	20,149 486	5,765,571 094
Of which old gold coin -	11,064,082	—	—
Silver:			
1 yen and trade dollar -	29,245,874	454,902	1,281,157 891
50 sen and under -	30,436,145 4	1,040,205	6,783,218 350
Total -	59,682,019 4	585,303	5,502,060 459
Nickel -	6,743,178 5	—	563,860 75
Copper -	9,350,037 548	746,000	22,253 397
Total -	92,329,664 943	564,407 514	11,809,239 806

Amount at end of February 1898.

Description.	In circulation at end of February.	Increase over previous month.	Increase over corresponding period of preceding year.
Gold - -	17,369,987 261	815,558 067	6,602,068 321
Of which old gold coin -	10,388,154 060	—	—
Silver:			
1 yen and trade dollar -	28,783,725	462,149	1,777,488 022
50 sen and under -	32,448,595 4	2,012,450	8,710,459 050
Total -	61,232,320 4	1,550,301	6,932,971 028
Nickel -	6,758,178 5	15,000	462,860 750
Copper -	9,346,367 848	3,670	24,155 897
Total -	94,706,854 009	2,377,189 067	13,973,744 702

Coin in Circulation on March 31, 1898.

	Yen.
Gold - - - - -	*21,599,780 080
Silver:	
Silver yen and trade dollar - -	27,667,555
Fifty sen and under - - -	33,852,349 4
Total Silver - -	61,519,904 4
Nickel - - - - -	7,136,178 5
Copper - - - -	9,346,367 848
Total Coin in Circulation - -	99,602,230 828

* *Note.*—This is only an estimate. The figures given in the body of the report were furnished by the Department of Finance, also with the remark that they represent only rough estimates.

B.

Amount of Gold Coin and Bullion held by Bank of Japan :—

1897—On October	1	84,013,000
	6	63,022,534
	13	82,014,342
	20	88,309,123
	27	89,224,303
On November	4	88,297,687
	10	88,732,731
	17	88,876,910
	24	88,326,572
On December	1	86,793,064
	8	89,213,618
	15	89,655,715
	22	90,318,509
1898—On January	4	92,128,267
	19	95,339,089
	26	94,652,689
On February	2	93,104,076
	9	87,951,437
	16	85,302,562
	23	84,066,024
On March	2	82,394,250
	9	80,519,271
	16	79,465,514
	23	77,300,522
	30	75,777,121
On April	6	74,264,450

C.

Gold Coin and Bullion exported.

1897—October	2,001,732
November	4,220,846
December	2,550,936
1898—January	4,516,400
February	4,840,056
	18,129,970

Gold Coin and Bullion imported.

1897—October	246,771
November	106,512
December	247,027
1898—January	134,019
February	47,073
	781,402

Silver Coin and Bullion exported.

1897—October	553,896
November	729,661
December	3,979,426
1898—January	3,087,355
February	1,157,455
	9,487,793

Silver Coin and Bullion imported.

1897—October	4,423,102
November	1,349,075
December	429,154
1898—January	673,832
February	810,437
	7,685,600

Coin and Bullion exported and imported during March 1898 :—

Export :	
Gold Coin and Bullion	10,933,972 $\frac{20}{100}$
Silver Coin and Bullion	4,525,524 $\frac{88}{100}$
Import :	
Gold Coin and Bullion	40,337 $\frac{72}{100}$
Silver Coin and Bullion	938,021 $\frac{93}{100}$

D.

Government Expenditure abroad.

1897–98	71,025,056
1898–99	54,708,710
1899–1900	38,408,857
1900–01	25,215,378
1901–02	19,956,173
1902–03	8,481,403
1903–04	4,127,490
1904–05	1,825,313
1905–06	901,501
1906–11	2,033,343
	226,683,224

Local, City and Private Expenditure.

1897–98	23,677,425
1898–99	15,912,381
1899–1900	12,204,309
1900–01	12,733,289
1901–02	5,726,220
1902–03	9,765,323
1903–04	13,004,167
1904–05	1,466,034
1905–06	242,369
1906–10	2,953,292
	97,674,809

No. 53.

INFORMATION from the OFFICER ADMINISTERING the GOVERNMENT of the STRAITS SETTLEMENTS as to the action taken by JAPAN in regard to the YEN.

Downing Street,
November 28, 1898.

SIR,

I AM directed by Mr. Secretary Chamberlain to transmit to you to be laid before the Indian Currency Commission, copy of a despatch from the Officer Administering the Government of the Straits Settlements explaining the action taken by the Japanese Government in regard to the Japanese dollar or yen since the adoption of a gold standard in that country.

I am, &c.

R. Chalmers, Esq.,
Secretary to Indian
Currency Committee,

C. P. LUCAS.

Government House, Singapore,
14th October 1898.

SIR,

I HAD the honour to receive from you on the 11th instant the following telegram :—

"Referring to your telegram of 1st October it is understood that your apprehensions are due to importation of defaced coin, and that clear yen still continue to disappear from circulation. If so, it appears to me that difficulty would be met by notice drawing public attention to clause 4, sub-section 4, of Order in Council of 2nd February 1895."

2. I ought to explain that the Japanese yen already in circulation here, as well as those recently imported, are all clean coin, scarcely showing signs of being used ; I have never come across a single worn coin.

3. Clear yen are not disappearing from circulation, but quite the reverse.

4. Japan last year adopted a gold standard at a ratio with silver of $32\frac{1}{3}$ to 1, on the hypothesis that silver had then almost attained its minimum value in terms of gold, 32·29 to 1 having been the ratio for the first nine months of 1897. The following remark was made at the time :—

"The silver yen now in circulation will be maintained at par with the gold yen by the Government being prepared to redeem them in gold whenever called upon to do so. In this connection it is important to note that there are about 140,000,000 of Japanese silver yen in circulation, of which it is estimated that about 70,000,000 are in circulation as money in China, and the English, French, and other colonies and settlements in the East. U. S. Mint Report, 1897 page 350.

"Should the rate between gold and silver become greater than 1 in 32 the tendency would seem to be to

drive the outstanding silver coin back to Japan for redemption."

Count Matsukata, introducing the Bill on 3rd March 1897, is reported to have said:—

"The present one yen silver:—This silver coin has passed as legal tender unlimitedly since 1878, and, therefore, it is necessary to allow a certain time before it is called in. The Government, while giving such an allowance, intends to withdraw it from circulation as soon as it is possible to do so. . . . . The one-yen silver exported from this country amounts to a very large sum; the total of such export up to January last has been more than 112 million yen. It is, therefore, asked whether the one-yen silver will not be re-imported and gold taken away? . . . .

p. 360. "Investigations which have been made *loco citato* show that except those circulating in Hongkong and Singapore it is very rare to find undamaged pieces amongst the exported one-yen silver. As they are now useful in daily transactions abroad there will not be many people coming out here to exchange them for gold, as silver is valued lower than at present in the proposed monetary law. There is, therefore, no need of entertaining a fear in this connection."

* * * * *

5. The Japanese currency law contained the following article:—

"XVI. The silver one-yen coins already issued shall be gradually exchanged for gold coins according to the convenience of the Government at the rate of one gold yen for one silver yen.

"Pending the completion of the exchange referred to in the last paragraph silver one-yen coins shall be legal tender to an unlimited extent at the rate of one silver yen for one gold yen, and the suspension of their circulation shall be notified six months in advance by Imperial Ordinance. Any of these coins not presented for exchange within a period of five full years from the day on which their circulation is suspended, shall be regarded thenceforth as bullion."

Article XX. ". . . . This law shall go into operation from 1st October 1897."

6. Count Matsukata's anticipations were not fulfilled. Silver declined till its ratio to gold was as 40 to 1, and, as predicted in the quotation in paragraph 4, the outstanding silver was driven back to Japan for redemption.

In 1897 the Colony exported to Japan and Hongkong:—

	$
From Singapore - -	4,597,144
From Penang - -	2,324,366

In the first quarter of 1898 the Colony exported to Japan:—

	$
From Singapore - - -	251,500
From Penang - - -	440,550

During the second quarter:—

	$
From Singapore - - -	142,000
From Penang - - -	131,900

Some exports to Japan are probably included in the following statistics of export for Hongkong:—

First quarter, from—

	$
Singapore - - -	359,850
Penang - - -	45,650

Second quarter, from—

	$
Singapore - - -	588,400
Penang - - -	414,000

7. This result has seriously embarrassed the Japanese Government.

I annex an extract from the "Financial News" showing what unjustifiable means they adopted to check the drain of gold.

According to a recent article in the "Japan Mail," the authorities there calculated on the 31st July last, that 26,150,471 silver yen remained still unchanged on the 31st July.

These silver yen, which include those rejected on frivolous pretexts by the Japanese Government, are now seeking an outlet. In Japan their value has fallen to 87·1 sen, or nearly 13 per cent. below the value realised by those exchanged for gold.

8. But this is not all. In the course of exchanging, the Japanese Government has accumulated an immense stock of demonetised silver yen for which it has no immediate use, and it was strongly tempted some time ago to send 50 millions abroad for circulation south of Hongkong. It was in anticipation of some such step that my despatch No. 147 of 13th May last was written.

9. My telegram of the 1st October will have shown that the re-importation of Japanese yen has begun on a large scale. From six to two months ago hardly a single one was to be found in circulation here, now they are becoming quite common again, and the minting of British dollars at Bombay has almost entirely ceased, because it is cheaper to buy in Japan discarded Japanese dollars and import them here.

10. The Executive Council considered the subject on the 12th October, and advised me that in this case such urgent necessity existed that I should be justified under Article XXV., clause 4, and the proviso to the article, in immediately passing without a suspending clause the draft Ordinance, copy of which was enclosed in my despatch No. 306 of the 12th.

I accordingly despatched to you the reply telegram contained in my despatch of the 12th instant.

I have, &c.
J. A. SWETTENHAM.

The Right Honourable
Joseph Chamberlain, M.P.,
&c., &c., &c.
Colonial Office.

A GOLD STANDARD IN DIFFICULTIES.

A correspondent writes to the "Financial News":—

"There is much complaint in Japan with regard to the treatment which is being accorded to the unfortunate holders of silver yen by the Japanese Government. Every possible method has been adopted to evade the obligation under the new currency Act to redeem them in gold. The most frivolous pretexts have been resorted to, a mere scratch on the surface of the coins, or the slightest abrasion, being considered sufficient excuse for refusing to accept them as decreed under the Act, although coins in circulation must necessarily become more or less scratched, and the coins in question, moreover, are destined to be melted. The paltry expedients, remarks a Yokohama authority, which never could amount to anything of consequence, are altogether exceeded by the introduction of a Bill which passed the House of Peers on June 4th, reducing the unexpired original period of five years to less than two months, so that after July 31st exchange will be refused altogether. By this means the Government hopes to stop the efflux of gold from the Treasury.

"Meanwhile, the state of financial affairs gets worse. Take the ruling rate for money as an example. The Japanese Minister of Finance has just published some interesting details concerning the rate of interest in Japan. The rate has been on the increase for several months past, and now reaches in certain provinces 18 to 19 per cent. for loans granted by banks. The average for the whole country is 12 to 15 per cent. The interest on deposits by the same banks is naturally much lower, never attaining more than 7 or 8 per cent., but that is high enough to indicate a deplorable lack of private enterprise.

"Of course it must be remembered that owing to the frivolous action of the Government alluded to above, bankers who are wide-awake in their calling are sending in within the limited period named for exchange every silver yen they can lay hands on, so as to diminish the consequence of the change of policy which the Government has so suddenly adopted, which will have the effect of, in some measure, by not giving time enough for the collection of yen and their transmission here to be exchanged for gold, choking off the demand. At the same sitting of the Upper House, a Bill passed through all its stages for limiting the present paper currency to December 31st, 1899. It is presumed that other paper money will be issued to take its place, since the reason alleged for the measure was that 'most of what is in circulation is defaced or 'torn.' It is contended that the sudden limitation of the period within which the silver yen will be received at the Japanese Treasuries practically amounts to an act of repudiation on the part of Japan. The yen were accepted originally as Japanese legal tender money, and the Japanese Government has not only lowered the value of the coin as bullion by its action, but now refuses to recognise the coin itself as money after a period too brief to allow of its presentation for redemption at its face value."

No. 54.

CURRENCY OF THE STRAITS SETTLEMENTS.

Downing Street,
SIR, 18th November 1898.

I AM directed by the Secretary of State for the Colonies to transmit to you, to be laid before the Indian Currency Committee, the enclosed copy of a despatch from the Governor of the Straits Settlements relative to the Currency of that Colony.

I am, &c.,
C. P. LUCAS.

R. Chalmers, Esq.

Enclosure above referred to.

Government House, Singapore,
SIR, 9th March 1898.

I HAVE the honour to forward a copy of a letter received from the Chamber of Commerce, Singapore, together* with certain resolutions put at a special general meeting of the Chamber held on the 13th January on the subject of the Straits Currency. I also forward copies of the enclosures to the letter, together with a memorandum by the Acting Colonial Treasurer, and a copy of the "Straits Times" of the 26th January last, which contains the reported opinions on the subject of Straits merchants now resident in England.

2. It will be seen that a considerable diversity of opinion exists among the mercantile community as to the steps which should be taken to remedy the existing state of affairs, which, by reason of the constant fluctuation in the exchange value of the dollar, is admitted to be prejudicial to trade.

3. The scheme set out in the report of the sub-committee of the 6th November is put forward, it will be observed, not as a perfect or complete one, but as a basis for a scheme to be worked out by the Government. It is one to which, in the words of one of the members of the sub-committee, they were in no way wedded, being merely tentatively put forward before the Chamber (page 25 of proceedings).

4. This being so, it might appear to be unnecessary for me to criticise in detail a scheme which is submitted under these conditions, especially as very full criticisms are contained in the enclosures to this despatch. But as the scheme is one which is put forward as a basis on which to work, I am bound to mention some serious objections which it contains, and which would make an attempt to work it on the lines suggested as dangerous to the public revenue as it would be to the trade of the colony.

5. In the first place, the scheme is silent as to the cost of the experiment, and as to the risks and difficulties to be met in carrying it out, or as to the penalty for failure. With a moderate estimate of only $10,000,000 to be dealt with, the initial cost of providing one dollar notes for use between the time of the demonetisation of existing dollar pieces, and the issue of the new token dollars would be large (say $500,000), while the loss to Government by giving in exchange for dollars (at exchange say of 1*s.* 10½*d.*) something worth 2*s.* would be about $700,000. There must be added the interest on the "Temporary Sterling Loan" referred to by the Sub-Committee, which according to paragraph 59 of their Report, would in the meanwhile have to be raised. The amount of this loan would necessarily be a large one, possibly at first for the full amount of the silver withdrawn from circulation, for if the colony were to undertake a token currency, it would be under an obligation to maintain its value, and to guarantee that when gold is asked for in exchange for token coins, it will be forthcoming at the ratio fixed.

6. As to the manner in, or extent to, which the public revenue would be recouped for the initial expenditure the report gives little information. Apparently the only direct profits might arise from the recoining of the discarded silver into token dollars, supposing that a new coin of considerably decreased intrinsic value was approved, and that the price of silver did not advance. But the Sub-Committee in paragraph 59 of their report suggest that only a limited number of Straits subsidiary dollars should be coined, the balance of the demonetised silver being sold as bullion at a loss.

7. This suggests a very important point of the whole question, *i.e.* to what extent the token dollars would be legal tender. The report of the Sub-Committee is silent as to this, purposely silent, according to one of its members (page 27 of proceedings), who also stated that it would be quite unnecessary for them to have subsidiary dollars to any considerable extent. This is unfortunate, as the meaning of the proposed scheme turns to a great extent upon this. If there is to be a limit of legal tender, the scheme would mean, not putting the dollar on a gold basis, but introducing a gold currency. I think the Committee would have made their meaning clearer if they had avoided the use of the word "dollar" in their suggestions as to the changes to be effected.

8. But any attempt to establish a gold currency in the Far East is out of the question, not only because, as pointed out by Sir David Barbour in his minute on the report of the Indian Commission, gold coins would in practice be of too great value to suit the vast majority of transactions, but because of the great cost and risk of introducing a large stock of gold, even supposing that the world's supply of gold were sufficient.

9. The Sub-Committee, when they suggest that only a limited number of token dollars be coined, do not intimate in what form the notes meanwhile issued by Government in lieu of the discarded dollars should be redeemed. Obviously not in token dollars, for there would be an insufficiency as only a limited number would be coined. Apparently then in gold, which would be a costly or at least a very speculative operation for the Government to undertake.

10. The proposal of the Sub-Committee that the token dollars should be only of from 60 to 75 per cent. of the weight of existing standard coins cannot be passed over without remark. Any sudden change in intrinsic value of the coin which has for generations been the standard of value in the Far East should, if possible, be avoided. A reduction in weight must be regarded by the natives with distrust, and in the neighbouring countries or islands with which we trade, and where silver *per se* is looked on as the measure of value, it would certainly be repudiated. No native coming to our shores to trade would be content to receive payments of silver reduced in weight by say 25 per cent. With regard to this point, the following remarks of the late Sir William Maxwell, who was President of the Currency Commission of 1893, may be of interest; speaking of the dollar he describes it as "the medium of exchange in the eastern seas ever "since merchant adventurers from Europe taught "native producers that Spanish dollars could be safely "received as the equivalent of a certain weight of "fine silver" (page 45). "The Chinese trader does "not understand occidental views of currency. He is "accustomed to weight, not tale, and to him a silver "coin is a piece of silver which has only intrinsic "value" (page 48).

Mr. Craig, a witness before the same Commission (page 36), stated "so long as we are on the outskirts "of and surrounded by countries using different "dollars, all of which come to Singapore, we should "do nothing to spoil our trade, and I think that if we "make any change to a sterling basis, to the prejudice "of the dollar, we shall spoil our trade with silver "using countries."

And Mr. Murray (page 31 of printed proceedings of Currency Commission) expressed the opinion that silver coins with a fictitious value for circulation in the Straits could never be sent out of the Colony.

It is true that a portion of the demonetised coin is expected to remain in or come back to the Colony (*see* page 26 of proceedings), but so long as the token dollar was the only legal tender, so long would traders be bound to accept it and, in the event of the already existing dollar coinage attaining an exchange value of above 2*s.*, it would be in the interest of purchasers to pay in the less valuable medium. How far it is possible for two currencies, one consisting of accommodation money for the bulk of transactions with outlying countries and subject to fluctuations in value, the other of a limited number of token coins of a fixed ratio with gold, to co-exist, it is difficult to say. It does not seem that the result would be what is apparently desired by the Sub-Committee, a gold currency pure and simple (pages 11 and 26 of pro-

* Enclosures not printed.

ceedings). The opinions of some of the witnesses at the Currency Commission of 1893 may be worth quoting in respect of this point.

Mr. Edelman (page 16) said "In my opinion, if the "use of dollars for trade transactions is not pro- "hibited in this colony, any change in the currency "would be a dead letter." Mr. Allinson (page 18) said "If it was left open for people to make contracts in "other dollars, the change of currency would be a "dead letter."

11. Of course, if the intrinsic value of the new token dollar were to be only a little below its nominal value, Government could make little profit out of coining them, and in the event of the intrinsic value rising above 2*s*. the coin would naturally leave the colony.

12. These risks and others, such as the danger to our native trade by having a period without sufficient currency, the risk of counterfeiting coin of a low intrinsic but nominally high value, have been dealt with in the criticisms on the Sub-Committee's report, and I need hardly refer to them here.

The last named danger might prove to be a very serious one. A similar risk was considered when the Indian mints were being closed, but in this colony the circumstances would be very favourable to successful fraud. In India the strict customs examination would prevent the extensive importation of counterfeit money; in the colony there is no customs examination.

In the case of India the coining would have to be effected in that country, not only because of the customs examination but because Indians could not carry on, in a foreign country, operations of the required magnitude without arousing suspicion.

In the Straits, on the other hand, the bulk of the population are aliens, in easy communication with their fellow countrymen in China, whence counterfeit coins might be imported to an almost unlimited extent. This danger has been made evident by the very large scale on which the Netherlands Indian Currency has been counterfeited. No Treasury could risk having to pay away gold for coins of much less intrinsic value on which it had previously made no profit.

13. I do not consider that the procedure of the Government, suggested in paragraph 59 of the report, as to the manner of demonetising existing coinage is feasible or defensible. The Government could not take the step without the fullest preparation, which would certainly include the consultation of all parties interested and the fullest debate in council, not to speak of the actual arrangements and means for effecting the conversion which would have to be carefully worked out. This is apparently acknowledged by the Sub-Committee in the closing portion of paragraphs 56 and 59 of their report. This is the view taken by the Indian Government in its despatch to the India Office of the 16th September last with reference to the proposals for the re-opening of the mints to silver; "We "would, nevertheless, strongly deprecate any steps of "the kind being taken without the fullest preliminary "consideration on the part of the banking and "commercial bodies in this country."

14. I am doubtful if any change of our currency system could safely be made until we had a coinage of our own, the extent of which would be a subject of exact knowledge, and I should prefer to see this effected before any further steps were taken. There seems to be no reason why it should not be effected gradually, and without cost to the community.

15. It may seem to be somewhat ungracious to subject the scheme set forth by the Sub-Committee to what is apparently nothing but adverse criticism, but, as it has been put forward as a basis on which to build, it is necessary to examine the solidity of its foundations. It may be urged that, if the Government is dissatisfied with it, it is bound to propose a better scheme, but I do not think that this necessarily follows, nor do I think that a scheme for this individual colony which would be workable and free from serious objections and dangers is at present practicable.

16. With two great financial experiments going on in India and Japan the result of neither of which is yet known, I should hesitate to select the present as the time for making any sweeping change in our currency system. I shall, however, welcome any proposals for obtaining the fullest and most reliable advice and information on the subject in whatever manner it might appear best to Her Majesty's Government, whether by merely local inquiry, or by an inquiry which would embrace a larger field than the unit of this colony and its individual interests. Any reasonable cost or share of the cost this Government would be quite prepared to pay.

17. The printed papers on the subject show what a divergence of opinion exists among that portion of the mercantile community here who have considered the question, but as was pointed out in the speech of one of the members of the Chamber of Commerce (Mr. Earle, page 23 of proceedings), there are many different interests unrepresented, and that the opinion of the bulk of the native trading population as to a change in our currency system, and the extent to which their interests would be affected by such a change has never been ascertained.

18. One thing only appears to be certain, and that is that there is a general wish for fixity of exchange, apart altogether from the question of how far our prosperity has been affected by the fall in the price of silver, and any assistance that Her Majesty's Government could give to attain such an end would be gratefully acknowledged by the community of the Straits Settlements.

I have, &c.,
C. B. H. MITCHELL,

The Right Honourable,
Joseph Chamberlain, M.P.,
&c., &c., &c.,
Colonial Office.

Enclosure to above despatch of 9th March 1898.

Chamber of Commerce, Singapore,
SIR, 4th February 1898.

I HAVE the honour to inform you that a special general meeting of the Chamber was held on 13th ultimo to consider the subject of Straits Currency—33 members being present out of a total membership of 47.

2. The following resolutions were then passed by a majority—17 voting in favour of, and 14 against, each resolution:—

I. "That, in the opinion of this Chamber, fixity of exchange with gold countries, on the basis of 2*s*. per dollar, is desirable in the general interests of the Colony."

II. "That Government be requested to take such steps as may be found necessary for obtaining fixity of exchange with gold countries, and that the report of the sub-committee, dated 6th November 1897, and the scheme suggested therein, together with such criticism as may be furnished to the committee, be submitted to Government for consideration."

3. I have the honour accordingly now to transmit these resolutions for the consideration of Government, and accompanying these I also forward herewith:—

(*a*) Report dated 6th November 1897 of sub-committee appointed by the committee of this Chamber "to enquire into the local Currency with the view of calling attention of Government to the question of converting the Straits Currency to a gold standard."

(*b*) Criticisms on this Sub-Committee's report by six members of the Chamber of Commerce.

4. A shorthand report of the proceedings of the general meeting of the Chamber, which dealt with this matter, is also sent with this letter, and from this it will be seen that, as an amendment to the first resolution, it was moved:—

"That, in the opinion of this Chamber, an enquiry as to the desirability and feasibility of securing fixity of exchange should be undertaken in the interests of the Colony, and that, in order to secure a thorough examination of the matter, the Government should be requested to secure expert assistance and to vote a sufficient sum to defray the cost of the enquiry."

This amendment was negatived by 17 to 14.

5. For the information of the Government the names of the firms, being members of the Chamber, who voted in favour of the resolution and also of those who voted in favour of the amendment are appended, and it will be observed that the real difference of opinion between the two sections of the Chamber was, that whilst the former were decided in their views that fixity of value should be at 2*s*. to the dollar, the latter, although apparently dissatisfied with the unreliability of the existing currency, desired an expert examination of the matter before expressing a decided opinion as to the remedy.

6. It will be noticed that in the criticisms forwarded to the Committee there is a general feeling in favour of fixity of value of some kind, although Mr. Meyeran, acknowledged representative of merchants trading with India, still desires the adoption by this Colony of the Indian Currency, but considers the present an inopportune moment for fixing the gold standard value of the dollar as thereby cutting off the chance of the Colony deriving any advantage should the price of silver recover.

7. In putting forward the scheme in the report of the Sub-Committee for fixing the currency of the Colony on a gold standard the committee of this chamber desire it to be understood that they are fully aware of the many difficulties and inconveniences which must naturally arise in the change of the currency from a silver to a gold basis; and in now submitting to Government the resolutions which are given cover to by this letter I am directed to add that the scheme or proposal for conversion, as set forth in the Sub-Committee's report of 6th November, is put forward, not in the opinion that it is perfect or complete, but more as a proposal on which Government may start investigation, and as a basis from which some scheme, calculated to operate to general advantage, may be worked out by Government and its advisers or experts upon finance.

8. In connection with the scheme which is attached to the Sub-Committee's report of 6th November I am directed to add that, although no reference is made to the point in that report, the committee of this chamber has not lost sight of the fact that, in event of a gold standard being introduced to the Straits, the question of the extent to which the new silver dollar shall be legal tender, will have to be considered.

9. The committee of the Singapore Chamber of Commerce in forwarding the views expressed by a majority of members at the general meeting above referred to, feel sure that Government will recognise that the question is of such vital importance to the welfare and prosperity of the Colony, that it necessarily demands prompt attention and exhaustive investigation with a view to some settlement. To this end the whole membership of the Chamber of Commerce appears unanimous, and I am therefore directed to express the hope that Government will, at an early date, set matters in motion, so that this gravely important question may be most carefully and exhaustively examined and considered, and some course devised by which to overcome the disadvantages and danger which under existing conditions are manifest.

I have, &c.,
(Signed) ALEX. J. GUNN,
Secretary.

The Honourable
The Acting Colonial Secretary,
Straits Settlements.

In favour of

Resolution 1.	Amendment.
Messrs. Guthrie & Co.	Messrs. Barlow & Co.
,, Boustead & Co.	,, Syme & Co.
,, Fischer Huber & Co.	,, Gilfillan Wood & Co.
,, McAlister & Co.	Chartered Bank of India, &c.
,, Rigold Bergman & Co.	Netherland Trading Society.
,, Brinkmann & Co.	Messrs. Katz Brothers, Limited.
,, Kumpers & Co.	,, Wm. McKerrow & Co.
,, G. Heiber & Co.	,, Meyer Brothers.
,, Behn Meyer & Co.	,, S. Manasseh & Co.
Mercantile Bank of India, Ltd.	E. Nathan, Esq.
Straits Trading Co, Ltd.	Hong Kong and Shanghai Banking Corporation.
Messrs. Hooglandt & Co.	Messrs. Riley, Hargreaves & Co.
,, Rautenberg Schmidt & Co.	The Borneo Company, Ltd.
,, Paterson Simons & Co.	Messrs. Grunberg Brothers.
,, Puttfarcken & Co.	
,, SandilandsButtery & Co.	
New Harbour Dock Co., Limited.	

AUSTRIA-HUNGARY.

No. 55.

MEMORANDUM on the CURRENCY of AUSTRIA-HUNGARY.

(Received through the Foreign Office.)

In the year 1879 a decree was issued by the Government of Austria and Hungary whereby the free coinage of silver for private account was entirely prohibited. The result of this prohibition was an increased demand among the inhabitants of the Monarchy for the paper currency then in circulation; the reason for this preference being that the paper notes, while possessing exactly the same purchasing power as the weighty silver pieces, offered greater facilities to the public as regarded portability and for ordinary business purposes.

Thus, from the year 1879 until 1892, when the law for the introduction of the gold standard was passed, the currency of Austria-Hungary practically possessed what may perhaps most aptly be termed an "artificial" value, inasmuch as its circulation among the inhabitants was based on the confidence reposed in the Austrian and Hungarian Government that the prohibition of free coinage of silver would not be withdrawn, and that neither of the two governments would undertake the coinage of silver money in larger quantities than was absolutely necessary to back the notes in circulation among the community.

The above-mentioned decree of 1879, while prohibiting the free coinage of silver for private account, likewise imposed certain restrictions relative to the coinage of silver for government account. Thus it was prescribed that only the silver derived from the State mines in Austria and Hungary, together with such broken metal as was purchased in bulk by the State mines themselves, should be coined.

Despite these restrictions, however, the amounts coined were considerable. From the beginning of 1880 until October 21, 1892 in Austria, and August 24, 1892 in Hungary, on which dates the respective State mines suspended operations in consequence of the law for the adoption of a gold standard, the silver struck for government account reached a total of:—

£.	
5,769,076	in Austria.
3,678,618	,, Hungary.
9,447,694	

If the amount coined during the period of 1879 prior to the prohibition of free coinage likewise be added, the following figures result:—

£.	
8,984,694	in Austria.
5,824,945	,, Hungary.
14,809,639	

and, in considering this total, it must be remembered that a certain proportion also falls to government account.

It should likewise be borne in mind that only a comparatively small sum was put in circulation, the greater part serving as a reserve to cover the notes of small denomination issued for the convenience of the public.

In 1892, the law for the adoption of a gold standard was passed by the Reichsrath in Vienna and the Parliament at Budapest. Briefly put this law empowered the government of both halves of the Monarchy to gradually substitute for the florin currency then in circulation a gold crown currency. At the same time it was expressly stipulated that, until the completion of the reforms, the florin currency should maintain in every respect its former position as legal tender and should be interchangeable at the rate of two to one, that is to say, one florin in silver or paper for two silver crowns. The relation between the old silver currency and the new gold currency was fixed at $18\frac{2}{5}$ to 1.

For the purpose of carrying out the reforms embodied in the Bill, the services of the Austro-Hungarian Bank were called into requisition. This institution is the only bank in the Monarchy which is authorised to issue notes. It is in reality a private limited liability concern, but occupies a semi-official position. It is partially under government control, and both Austria and Hungary participate to a certain extent in its annual profits.

The original and supplementary Bills for the reform of the currency authorised the following financial operations, viz.:—

(*a.*) The issue of subsidiary silver, nickel, and bronze coin of the new crown currency to a total extent of 286,000,000 crowns, or about 12,000,000*l.* sterling; against which a similar amount of the subsidiary coin and small State notes of the old florin currency was to be withdrawn.

(*b.*) The withdrawal of the State notes then in circulation, amounting to about 312,000,000 florins, which were to be replaced by gold, silver, and nickel coin of the new crown currency.

(*c.*) The prescription that the Austro-Hungarian Bank should accept in exchange for its notes current gold coins at their face value and gold bullion at the rate fixed by law in connexion with the crown currency.

In due course, the Austro-Hungarian Bank commenced operations by extensive purchases of gold coin and bullion on the domestic and foreign markets, whilst the government authorities in both halves of the monarchy proceeded to obtain the necessary supply of that metal by the issue of a series of State Rentes. These operations, however, were not carried out without frequent interruptions occasioned by the recurrence of an agio or premium on gold, rendering the import or purchase of that metal unfeasible.

To explain this condition of affairs, it is stated that the conversion of various categories of Austro-Hungarian stock, &c., gave rise to an almost unprecedented influx of these from abroad. Moreover, the temporary excess of commercial importations over exportations, whereby the amounts owed abroad exceeded those due to this country, repeatedly created a stringency of more or less duration. Both these arguments are advanced to account for the slow progress made in the introduction of the currency reforms and the interruptions which have occurred hitherto.

The operations dealt with in clause (*a*) have already been completed; that is to say, the minor coin of the florin currency has gradually been withdrawn, and has been replaced by the subsidiary coins of the crown currency, the silver one-florin piece meanwhile remaining in circulation and being, as already mentioned, interchangeable at the rate of two crowns to one florin.

With regard to clause (*b*), State notes to the extent of some 200,000,000 florins have been withdrawn, and in their stead 80,000,000 florins in silver, and 120,000,000 florins in bank notes have been issued. There now remains a balance of 112,000,000 florins in State notes in circulation, which it is intended to gradually replace by 32,000,000 florins in silver, and 80,000,000 florins in bank notes.

As matters now stand, the Austro-Hungarian Bank, which, as stated above, is the only financial institution in the Monarchy empowered to issue notes, is not legally bound to redeem its notes with gold, and, therefore, would be acting within its rights were it to refuse to part with that metal whether for exportation or other purpose. Nevertheless, it is realised that a refusal would, under certain conditions, cause either an undue advance or agio in the price of gold and gold bills of exchange on the domestic market, or a depreciation in the value of the notes issued by the bank itself.

In order to prevent this, and, so far as possible, to maintain the legal par value of the Austro-Hungarian currency (according to which a florin is equal to 1*s.* 8*d.* in English money), the bank voluntarily sells gold either in the form of bullion, foreign coin, or gold bills of exchange at rates which are fixed from time to time. In fixing these rates the bank is guided by the fluctuations of the international money markets, and by its own private reports; but, in addition, special attention is given to the maintenance of the par value of the Austro-Hungarian currency.

On the whole this method has worked successfully; for, during the past three years, with the exception of some few unimportant variations, the par value has been fairly well maintained. It may also be remarked here that, in order to encourage the importation of gold and reduce the cost of transport to a minimum, the bank has arranged that gold can be sent or offered for sale not only to its central offices in Vienna and Budapest, but likewise to those of its branches situated in proximity to the frontiers of the Monarchy.

Up to the present no gold has been put into circulation in Austria-Hungary, nor is it definitely known when it will prove feasible to do so.

As soon as circumstances permit, it is primarily intended to issue that amount of gold which already has been, or has still to be, deposited with the Austro-Hungarian Bank by the governments of both halves of the Monarchy in connexion with the withdrawal of the State notes and the issue of bank notes in their stead. The authorities, therefore, propose in the first instance to put into circulation the total sum of 200,000,000 florins in gold coin, in order to make room for which it is intended to call in all bank notes of less than 25 florins denomination.

The 200,000,000 florins' worth of gold referred to above is in possession of the Monarchy, that is to say, 80,000,000 florins is now in the hands of the Treasury Department, and 120,000,000 florins in the cellars of the bank. In addition to this amount, the bank at present has in its possession the sum of about 260,000,000 florins in gold, so that the value of the gold at the disposal of the Monarchy reaches an actual total of, say, 460,000,000 florins, apart from the not insignificant quantity owned by the Treasury, and which is not destined to be devoted to the regulation of the currency. As stated in the foregoing paragraph, it is first proposed to put into circulation 200,000,000 florins in gold coin, whilst the balance of that metal in possession of the authorities is destined to form a reserve for the bank.

In mercantile circles, apprehension is felt as to the ability of the Government to retain the gold in the country when once it is placed in circulation. Contrary to Great Britain, the value of the exportations from the Dual Monarchy to foreign countries almost invariably exceeds that of the importations, so that, so far as trade and commerce are concerned, the assets due to Austria-Hungary from abroad are in excess of her outstanding liabilities. On the other hand, however, while the investment of Great Britain in foreign securities, enterprises, &c., represents an immense total, Austria-Hungary is indebted to foreign countries. Indeed, according to most recent statistics, it is estimated that the amount paid by Austria-Hungary as interest to bond, stock, and shareholders, &c. abroad, reaches a total of between 125,000,000 to 130,000,000 florins per annum.

It is, therefore, argued that should the excess of exportations over importations in future years prove inadequate to cover the amount of interest payable by Austria-Hungary abroad, and, at the same time, a disinclination be manifested by foreign countries to absorb further quantities of Austro-Hungarian securities, the differences due from the Dual Monarchy to foreign debtors would have to be liquidated in gold, and would thus cause an efflux of that metal.

These apprehensions would appear to be justified by the fact that more than once of late years the annual trade balance of the Monarchy has shown only a comparatively insignificant excess of assets over liabilities, and also by the circumstance that both in 1897 and 1898 considerable quantities of gold left the country.

Moreover, it is feared that, under certain conditions, even a favourable trade balance would not prevent an efflux of gold, similar to that which occurred in 1893, when the conversion of various Austro-Hungarian stocks, &c., brought about a sudden return of these categories from abroad, and a proportionate outpour of gold from the Monarchy.

The gradual accumulation of a large stock of gold within the boundaries of the Monarchy, the granting of comparatively high rates of interest on Austro-Hungarian stocks, &c., far-reaching support of the export trade, and, finally, the slow but steady increase of wealth among the inhabitants themselves, whereby the re-purchase of those stocks, bonds, &c., held abroad would be rendered possible, are regarded by financial authorities in this country as the surest, and virtually the only, means whereby the unpropitious state of affairs likely to be produced by an efflux of gold could be prevented.

No. 56.

Report on the Depreciation of the Currency in Brazil, showing the effect on Prices and Wages.

Received through the Foreign Office.

Nominally Brazil is still a gold standard country, the legal value of an octave* of gold being 4 milreis, the gold coins of 5 octaves (276·840 grains) and 2½ octaves (138·420 grains) having a legal value of 20 milreis (=45*s.*), and 10 milreis (22*s.* 6*d.*) respectively, while silver in the ratio to gold of 15·15 to 1 is only a legal tender up to 20$000.

		Sterling Value.
The silver coins are:		
2 milreis	25·5 grammes†	4*s.* 6*d.*
1 milreis	12·75 ,,	2*s.* 3*d.*
500 reis	6·375 ,,	1*s.* 1½*d.*
The nickel coins are:		
Two hundred reis	15 grammes	5⅝*d.*
One hundred reis	10 ,,	2¾*d.*

The copper coins, which at present low exchange must be issued at a loss, are:

40 reis	12½ grammes	1½*d.*
20 reis	7 ,,	½*d.*

The legal value of a sovereign is 8$890.

Though the nickel coins have not reached the point at which their intrinsic value is superior to their nominal value, they disappear very rapidly from circulation, except in the capital and its immediate neighbourhood; the explanation being that they are hoarded, particularly by the foreign colonists, perhaps because they are less perishable than paper. This has created a serious scarcity of small change in the provinces, and the State Governments, not being authorised to issue any form of currency, permit the circulation of *apolices* (or bonds) of infinitesimal value, some of them bearing interest, tramway tickets &c., to take the place of nickel. To remedy this evil the Federal Government has been authorised to issue nickel coins—

Of 12 grammes with a nominal value of 400 reis.
Of 8 ,, ,, ,, 200 ,,
Of 5 ,, ,, ,, 100 ,,

But although Brazil is nominally a gold standard country, it is only in the event of exchange rising to, and remaining at or above, par that the notes even of the Banks of Issue which at various times have had the privilege were in fact convertible into gold, while the Treasury paper money since 1833 has never been convertible.

The following are the periods during which one or more banks had the privilege of issue, generally in the proportion of two to one against gold and to an equal value against bonds:—

1808—1829.—Exclusive privilege of Banco Brazil, no limit. Inconvertible between 1821 and 1829.

1853—1857.—The (3rd) Banco do Brazil up to twice the value of "available funds," *i.e.*, cash in hand or gold.

1857—1866.—Six banks up to the amount of subscribed capital.

1889—1893.—Various banks all over Brazil up to twice the amount of subscribed capital.

1893—1896.—Exclusive privilege of Banco da Republica do Brazil.

The privilege has been frequently abused by the banks, sometimes no doubt with the connivance of the Government, as between 1820 and 1827, when the Banco do Brazil increased its circulation from 8,566:450 milreis to 21,574:920 milreis being nearly six times its subscribed capital of 3,000:000$. During this period the milreis depreciated from 54*d.* to 32*d.*, reaching 20*d.* before the final liquidation of the bank in March 1829.

The Government have, on two occasions, changed the par value of the milreis:—By the law of 8th October 1833, which declared the legal value of an octave of gold to be 2$500, reducing therefore the par value of the milreis from 67½*d.* (when the octave was 1$000) to 43⅕*d.*, a sovereign being declared legal tender at 5$555, and a shilling at 250 reis; and by the Law of 11th September 1846, which declared the legal value of an octave of gold to be 4$000, and fixed the par value of the milreis at 27*d.*, which has continued up to the present time.

The first of these measures failed entirely in its intended effect of increasing the stability of the currency, the reason being that no adequate and effective measures were taken for raising the paper currency to its par value. In June 1833 the rate of exchange was 38½, and already in January 1834, after temporarily rising to par, it had again fallen to 39½. Evidently no payments would be made in the precious metals when they could be made in depreciated paper.

The new Banco do Brazil was, in virtue of the Law of 8th October 1833, to substitute all the Government paper money in circulation by notes of its own, which were to have the value of 1$000, 2$000, and 5$000. Though nominally payable in gold it does not appear that these notes were in fact any more convertible than the Government paper, and the depreciation continued. the value of the milreis falling below 25 in each of the years 1842, 1843, and 1844. The bank had no privilege of issue on its own account.

By the decree of 1st June 1833 the inconvertibility of the Treasury paper money was definitely asserted, the notes of the old Banco do Brazil being substituted by Treasury notes, on which the words "payable at sight" were altered to "payable" at the National Treasury.

By the Law of 11th October 1837 special funds were set aside for the redemption of the paper money, but this law was never practically carried out, it being necessary in the following years to apply all available funds to meet a series of large deficits, and in 1839 not only were the funds assigned for the redemption of the paper money diverted from this object, but a "temporary" new issue was authorised.

Between 1833 and 1846 the currency question was constantly the subject of discussion, which resulted in the law of 11th September 1846. A lesson had been learnt by the failure of the legislation of 1833, and exchange being at the time of the passing of the law at nearly 27*d.*, the Government was authorised to withdraw from circulation sufficient paper money to raise it to this value. From 1846 to 1853 the Government paper money was reduced from 50,668:475$ to 46,684:805$, and exchange was in every year between these dates at or above par, the fluctuations varying between 1850 and 1853 from 27½ to 30½, which seems to show that the paper money in circulation was even insufficient for the needs of the country, whose foreign trade had increased from 105,823:000$ in 1845–46 to 160,976:000$ in 1852–53, revenue in the same years having risen from 26,199:179$ to 36,391:032$.

The commercial crisis of 1853 was indeed probably due to the insufficiency of the circulating medium and was easily met by the advance to the two banks then in existence—the Banco Commercial and the Banco do Brazil—of 4,000:000$ in Treasury notes.

By the Law of 5th July 1853, the Third Banco do Brazil was created by an amalgamation of the two banks mentioned above. It had the exclusive privilege of issuing notes in the capital of a minimum of 20$000 and in the provinces of 10$000 in the proportion of 2 to 1 (raised in 1855 to 3 to 1) against available funds, but under no circumstances in excess of the amount of discounts effected. In return for this privilege, the bank was to withdraw from circulation annually 2,000:000$ of the paper previously in circulation, the notes so withdrawn to be deposited at the Treasury and destroyed.

The Government was obliged to come to the assistance of the bank during the commercial crisis of 1857, by authorising an increase in its issue of notes up to four times available funds, by the suspension of gold payments, by direct advances, and by undertaking to honour its bills up to £600,000 on their London agency. In this way the crisis was met without the bank having been compelled to raise its rate of discount.

In this and the following year six new banks of issue were created, two in the Capital and four in the provinces, with right of issue, up to the amount of their realised capital, against gold, at the rate of 2 to 1, and against Government bonds, &c., to an equal value.

Alarmed, however, at the rate at which the fiduciary circulation was increasing from 62,000,000$ in 1854, to 96.000,000$ in 1859, the Government passed the Bank Reform Law of 1860, which restricted the privileges of the banks, by obliging them to reduce their issue until convertibility was assured, by compelling them to withdraw from circulation within four

* Octave =72 Brazilian grains.
=55·368 English grains.
† Gramme=15·432 grains.

months all notes of lower value than 50$000 in the capital and 25$000 in the provinces, and by stricter Government fiscalisation. The fiduciary circulation was in this way reduced by 9,261,846$ between 1861 and 1862, and exchange again returned to par.

This law met with considerable opposition; it was declared that by limiting credit commercial enterprise must suffer. The figures of the import trade do in fact show a falling off in the next two years, but it is not certain that this is a bad sign in a country in which capital does not seek investments abroad, and where the tendency was for imports to exceed exports.

In 1864 there was another commercial crisis, brought on by the suspension of payments of five important banking firms and by a repercussion of the crisis, which some of the most important European markets of Brazilian products were passing through. That the crisis was not the result of scarcity of the circulating medium, as Senhor Cavalcanti in his work on "O Meio Circulante," endeavours to persuade his readers, seems to be shown by the fact that the paper currency, far from being unduly appreciated, fluctuated between the normal extremes of 22½ and 27½.

The Government was again obliged to authorise the suspension of gold payments and to permit the Bank of Brazil (13th September) to issue new notes up to treble its available funds. Whether the additional issues thus authorised, amounting to more than 11,000,000$ between 1865 and 1866, or the outbreak of the Paraguayan war, are responsible for the fall in exchange which followed (from 27*d.* to 22*d.*) is doubtful; but it is at least probable that both causes contributed to the result. It is a significant fact that between December 1863 and December 1864 the issues of the Bank of Brazil increased from 27,297,930$ to 43,168 : 000$.

It has been seen that the wise checks imposed by Government between 1853 and 1866 prevented more than a moderate inflation of the fiduciary circulation. The same may be said of the period between 1866 and 1889 when the treasury were responsible for the issue of paper money on the extinction of the privilege of the Banco do Brazil by the Law* of 12th September 1866.

Between these years the Treasury paper increased from 42,560,444$ to 188,869 : 263$, and bank notes were reduced from 74,600 : 215$ to 16,419,000$, making the total increase only 43 per cent. while revenue between the same years had increased from 64,776 : 843$ to 145,896,141$, or 56 per cent. On two occasions, however, exchange fell below 20*d.* between 1866 and and 1869, which may be accounted for by the Paraguayan war, and again in 1885. A possible explanation of a tendency to fall during the greater part of this period is, that during the whole time, possibly ever since 1853, there was in reality an excess of paper circulation. The Minister of Finance in 1884 expresses this opinion in his annual report, though the amount was less in that year than in any since 1879, and this is rather borne out by the rise in 1889 to par, when, by the emancipation of slaves in 1888, the use for currency was suddenly largely increased.

The year 1889 was, in fact, one of the most prosperous in the history of the country. Foreign trade had reached the unprecedented figure of £59,000,000, of which more than £34,000,000 was for exports. Exchange was at par, and revenue exceeded that of any previous year, as, it must be added, did expenditure also, the happy precedent of 1888, when there was a surplus of more than £2,000,000, having been quickly abandoned.

By the Decree of 24th November 1888, the Government of the Empire gave up its exclusive privilege by allowing limited liability companies to issue convertible paper under certain restrictions and by the Law of 5th January 1889, regulations for organising banks of issue were provided, issues however being limited to 100,000,000$ in the Capital, and 16,000 : 000$ in the provinces.

In November 1889 came the Revolution which drove the Emperor from the throne.

The first Ministers of Finance of the Republic have much to answer for. It seems for a while to have been imagined that wealth could be created by the mere operation of the engraver's plate. It was a misfortune for the country that the first Minister of Finance should have been a man so remarkably gifted and so eloquent as Senhor Ruy Barbosa. There was no financial heresy but "reasoned with his gracious voice, obscured the show of evil."

He declared on 5th December 1890 (p. 4042 *Decretor do Governo Provisario*): "We are proceeding with extreme, "even exaggerated, parsimony in fixing the total "circulation of bank notes at 486,000,000$ "(54,675,000*l.*)" The figure 1,580,000,000$ (more than 177,000,000*l.*) he seemed to regard not with dismay, but as a more reasonable limit.

The following list shows the amount up to which various banks were authorised to issue during 1890 against a deposit of gold, at the rate of 2 to 1, and bonds to an equal amount:—

	Milreis.	£
Four banks for the states of S. Paulo and Goyaz	200,000,000	22,500,000
Banks in the Northern states, divided into three districts (each 20,000,000 milreis) -	60,000,000	6,750,000
Banco dos Estados Unidos do Brazil - -	100,000,000	11,250,000
Banco do Brazil -	50,000,000	5,625,000
Banco Nacional - -	50,000,000	5,628,000
Banco de Pernambuco, an additional - -	10,000,000	1,125,000
Banco do Credito Popular	40,000,000	4,500,000

by decrees dated 7th March, 8th March, 29th August, 25th September, and 14th November.

The above list does not include the amounts up to which the Banco do Brazil and the Banco Nacional might issue against the deposit of bonds.

The decree of 7th December 1890 authorised the amalgamation of the Banco dos Estados Unidos do Brazil with the Banco Nacional, the new bank being known as the Banco da Republica dos Estados Unidos do Brazil, and having the right of issue up to three times its capital of 200,000,000$ against a deposit of a third in gold, the bank to replace the Government paper money by its notes.

The privileges thus recklessly accorded would not have been so dangerous if the gold against which the notes were issued was effectively deposited at the Treasury, but as a matter of fact (Relatorio of the Minister of Finance for 1892, p. 26) nearly 2,600,000*l.* which should have been deposited never entered the Treasury.

The notes actually issued amounted to*340,714,370$ (38,330,366*l.*) being 261,252,870$ against gold, and 79,461,500$ against bonds, the preference for issue against gold being naturally explained by the advantageous rate of 2 to 1. Of this amount only 25,370,040$ had up to 31st December 1897 been withdrawn.

By the Law of 23rd September 1893, which recognised the danger of an almost unlimited number of banks of issue, the privilege was restricted to the new Banco da Republica do Brazil, which is an amalgamation of the Banco da Republica dos Estados Unidos do Brazil and the Banco do Brazil. But even in this law means were found to eventually further increase the paper circulation by the authorisation to issue 100,000,000$ (11,250,000*l.*) in *bonus* or cedulas, bearing interest at the rate of 4 per cent., nominally in aid of industrial enterprises, but merely used as an instrument of credit and very soon a depreciated instrument of credit. 80,000,000$ of these cedulas were issued, but, in consequence of their depreciation, and as they served no useful purpose, the Treasury decided to take them up and issue paper money in their place, the interest paid by the bank being applied to redemption.

Besides paper money in substitution of these cedulas, amounting actually to 79,979,600$ the Treasury, in virtue of a decree, No 1616 A of 23rd December 1893, apparently not published in the Statute Book, under the Government of Marshal Floriano Peixato, issued a sum of 83,000,000$ (9,337,500*l.* at par) in paper money between the 24th December 1893 and the 17th August 1894.

By the Law of 9th December 1896, the Treasury again assumed the sole right of issue, guaranteeing the notes in circulation, and taking over the deposits against which they were issued. Since 1894 excessive issues have been avoided, but the mischief was done, and the steps hitherto taken to remedy this rapid and enormous inflation of the circulating medium have been inadequate, while the situation has been

* Provisions were made in this law for the repayment of $11,000,000 which represented the amount of Treasury paper money withdrawn by the bank, and for gradually withdrawing the notes of the bank from circulation.

* The deposits at the Treasury in guarantee amounted to—
Gold, 93,369 : 728$.
Bonds, 79,461 : 500$.

aggravated by the low price of the chief article of export.

The above facts appear to show that the present depreciation of the currency is in a very great measure due to excessive issues.

On the whole, paper money—even inconvertible—is probably the most convenient form of circulation in a country like Brazil, of vast extent and difficult means of communication, as long as the amount corresponds with te nathional wealth, reckoned in no matter what commodity, gold only being a more convenient measure than any other, because less subject to fluctuations in value.

It has, indeed, often been stated that there is a scarcity of the circulating medium in some parts of the country, and this may be true; the cause, however, being not an insufficiency of paper money, but that the production in those places is insufficient to meet the wants of the inhabitants. If production is on a large enough scale, it is certain that the circulating medium* will be attracted wherever it is wanted—in metal, if notes are scarce, which the Government will at once know by the par of exchange having been reached. Till then the remedy should have been not to increase the circulating medium, but by all possible means to increase the national production.

The case of a country whose currency has an intrinsic value is, of course, different, but some of the remedies (such as closing the mints) are similar.

In annex A will be found a table showing the amount of paper money in circulation since 1841 for a population numbering about 14 millions in 1890.

Besides various paper crises, Brazil has also passed through what may be described as a "copper" crisis between 1827 and 1833, and a "silver" crisis between 1846 and 1849.

The circulation of copper coin, which before 1833 was a legal tender up to an unlimited amount, had increased to an enormous extent, it being calculated that in 1830 it amounted to 21,000,000$, being, at the par of 67½*d.*, nearly six million sterling. The Government, on account of the large profits made by striking coins, which circulated at the legal rate of 12$\frac{5}{10}$ to 1 as compared with silver, the intrinsic value of the metal being in the ratio of 40 to 1, had been making reckless issues, while numbers of false coins, estimated at 5,000,000$ in 1830, had also found their way into circulation. As a consequence, copper had depreciated almost to the same extent as paper, and the depreciation seemed only likely to cease when the intrinsic value of the metal was reached.

By the Law of 3rd October 1833 the Government decided to exchange all the copper coins in circulation against cedulas having a value from 10$000 to 100$000, the metal being received at 1$280 a lb., and copper was made a legal tender only up to one milreis. The issue of these cedulas, the first Government paper money, caused a great scarcity of small change, and a part of the copper money so changed had to be reissued, but the limitation of the amount to be accepted as legal tender effectually stopped its depreciation, and since 1833 there has been no recurrence of a similar difficulty.

By the Law of 11th September 1846 the ratio of gold to silver was fixed at 1 to 15⅝, slightly undervaluing silver, notwithstanding the seigniorage charged for coining, and exchange being at or above par, the country was flooded with silver coins. The crisis was ended by the Decree of 28th July 1849, which altered the relations of the two metals to 1 to 15·15, while silver was made legal tender only up to 20 milreis.

In addition to the disastrous monetary legislation from which Brazil has recently suffered, the evil has been made worse by a persistent extravagance which would have wrecked a nation less favoured by nature and of less productive and recuperative energy. Since 1837, only on seven occasions has the Government been in possession of a surplus at the end of the financial year. These red letter years are:—

	Exchange.
1845–46	25½–28¼
1846–47	27¼–28
1852–53	27½–29¼
1856–57	23½–26
1872–73	25¼–27
1888	22⅜–26⅝
1891	10¾–21⅝

With the exception of 1891 all years of high exchange.

* Exception being made in the case of subsidiary coins or symbols.

While the monetary policy of the Government continued sound, and it enjoyed credit abroad, deficits were of less importance, but, when these conditions changed, the country found itself face to face with bankruptcy. By the funding scheme of 1898, which provides for a suspension of gold payments for three years, an opportunity for reform has been given, but the situation is still critical, and can only be saved by economy and sacrifice. Fortunately, the present Government show signs that they are not afraid to face the unpopularity which reforms involve.

A good deal has been said and written in this country on the part which the balance of trade plays in depreciating or appreciating the currency.

It seems, however, to be inevitable that in the course of time exports and imports must nearly balance (as regards an excess of imports at least), since it is impossible for a country, any more than an individual, to continue for an indefinite period to spend more than it produces; nor is it easy from the figures appended to this report, showing the official value of the imports and exports for a long period, to discover any connection between their value and the rise and fall in exchange. For example:—

In 1852–53 imports exceeded exports by 13,688,000$ and exchange fluctuated between 28¼ and 30¼.

In 1854–55 there was a balance in favour of Brazil of 5,528,000$ and yet exchange was rather lower, fluctuating between 27½ and 29¼.

In 1888 there was a balance of 48,406,000$ against the country, yet exchange rose to 24½*d.*, and in 1890, with a balance of 57,722,000$ in favour of Brazil, exchange fell from par to 20⅝*d.*

In Brazil, where there is little or no native capital invested abroad, the balance between imports and exports, if one could be sure of the accuracy of the figures, is a more reliable test of the national wealth than in more developed countries, where foreign investments are necessarily excluded from such calculations.

In Annex C. are tables showing the variations of currency prices during periods of falling and rising exchange. Previous to 1867 these figures are taken from Senhor Cavalcanti's work* "On the Circulating Medium." Those for the last three periods—two of rising and one of falling exchange—between 1867 and the present time are furnished by the Jornal do Commercio, which every month publishes a list of prices of the commodities of most general consumption.

It will be seen from these lists that the tendency is for prices neither to fall nor rise in proportion to the appreciation or depreciation of the currency. The two principal articles of consumption of the lower classes—rice and black beans—seem, however, to be an exception, and since 1867 have varied almost exactly in proportion to the gold value of milreis.

Thus, between 1868 and 1875, the currency appreciated 33 per cent., while the average fall in the prices of foreign and Brazilian rice and of black beans was also 33 per cent.; between 1885 and 1889 the currency appreciated 33 per cent. and the price of rice and beans fell 36 per cent.; between 1889 and 1897 the currency depreciated 70 per cent. and rice and beans rose 74 per cent.

As is seen from Tables 1 and 2 in Annex D, giving the wages of workmen of different classes employed by two large English companies (which were furnished by their respective managers, Mr. Benert and Mr. Gunning), there has been an all-round increase in wages since 1889 of about 40 per cent.—not therefore in proportion to the depreciation of the currency—while the cost of living as regards the two first necessities has increased in proportion, and, as regards nine articles of ordinary consumption, the cost of living has increased, though not to an equal extent with the depreciation of the currency, yet more than equal to the increase in wages.

The rise in house rents has about kept pace with the average rise of prices. They have probably doubled or more than doubled since 1889.

It is therefore evident that the wage-earning classes are losers by a fall in exchange.

During the early period of rising exchange for which amounts of wages have been obtained, viz., between 1885 and 1889, there was practically no change, so that the working classes should have benefited by the rise, but, as Table 7, Annex C, shows, this is only the case as regards the first necessities, black beans and rice, the tendency of other prices being not to fall but to

* "O Meio Circulante Nacional," Rio de Janeiro 1893.

rise. In the case of jerked beef, a very important article of consumption among the lower classes, there has been a rise of 16 per cent., so that while they are losers by a falling exchange they gain little by a rising.

The prices of articles of consumption in the country which are also exported depending on various influences, do not follow the fluctuations of exchange with regularity. Thus between 1821 and 1830 when the currency depreciated 55 per cent., the prices of coffee and tobacco, instead of rising, also fell 43 per cent. and 12 per cent. respectively, while cotton only rose 7 per cent.

Between 1835 and 1844, with currency depreciating 33 per cent., coffee and tobacco fell 11 per cent. and 24 per cent. respectively.

Between 1889 and 1897 the currency prices of coffee and sugar rose less than those of any other commodity except mandioca flour, the comparatively small rise in which is explained by the largely increased production.

Similarly, during periods of rising exchange it is noticeable that the prices of commodities which are also exported do not fall in proportion to the appreciation of the currency.

Thus between 1831 and 1835 the currency appreciated 36 per cent., while the prices of four articles of export, —sugar, coffee, tobacco and cotton—only fell 6 per cent.

Between 1843 and 1847, when the currency appreciated 10 per cent., the prices of sugar and coffee, instead of falling, rose 8½ per cent. and the same phenomenon is still more striking between 1885 and 1889, when the prices of coffee and sugar rose 30 per cent. and 18 per cent., although the currency appreciated 33 per cent.; the price of coffee calculated in sterling having risen from 6*s.* 9*d.* to 14*s.* 8*d.*, and of sugar from 4*d.* to 7½*d.*

If any generalisation can be made from these figures, it is that the tendency of the chief articles of export, when no other circumstance interferes—such as an extraordinary increase in demand which has happened in the case of rubber—is to rise in price (calculated in sterling) during periods of rising exchange, and to fall in periods of falling exchange, *i.e.*, high exchange, high prices of exports; low exchange, low prices of exports.

This is natural because, as wages and general prices do not for a long time, if ever, rise in proportion to the depreciation of the currency, a low exchange cheapens production.

On the other hand, it seems that the prices of articles produced in the country and also imported depend, not so much on the cost of production in Brazil as on the cost of production in the exporting country; the best example being jerked beef which, when produced in Brazil, rises to the price of the imported article, instead of the imported article falling in proportion to the cost of production in Brazil.

Apparently, therefore, certain classes profit by a fall in exchange, viz., those engaged in the production of articles of export, provided diminished cost of production does not cause a fall of prices abroad, and those engaged in the production of articles which are also imported, such as the owners of cotton mills, of the jerked beef factories of Rio Grande, and the cultivators of maize, rice, black beans, &c., all of whom are enabled to produce cheaper, and those engaged in mining industry must be included in the same category.

Those, however, engaged in the production of the most important Brazilian export—coffee—which figures for about two-third of the total exportation, do not at present gain by a low exchange, because of the phenomenal fall in the price of this commodity, brought about by over-production, one of the causes of which may be the very fact of the cheapness of labour, &c. Nor are all those engaged in the production of commodities which are also imported gainers, as for example, those whose capital was invested when exchange was high, which now represents a depreciated value, and those who are not independent of machinery which has to be imported from abroad.

On the other hand, the losers are:

(1) All those who have fixed currency incomes.
(2) The wage-earning classes.
(3) Importers and retail dealers.
(4) The Government, and all those who have obligations to meet abroad.

Until, therefore, prices, wages, and the depreciation of the currency are again in equilibrium, which does not happen for a long time, there must always be some classes who suffer. Even when the equilibrium has been established, it is evident that creditors are still losers, as are all those bound by contracts entered into when the currency was higher.

Instability and uncertainty are still more disastrous than depreciation. Once the depreciation is established, it is probably wiser for the government to direct all its endeavour to maintain the stability rather than raise the value of the circulating medium, and this, under present conditions, can only be accomplished by the establishment of a currency convertible into gold.

ANNEX A.

Paper Money in Circulation since 1840.

(Bank Notes and Treasury Paper).

	d.	Milreis.		*d.*	Milreis.
1841	30¼	40,199,595	1870	22	192,526,873
1842	26¾	43,689,115	1871	24	191,805,611
1843	26	46,520,997	1872	25	188,806,740
1844	25	48,267,496	1873	26	185,010,782
1845	26	50,379,633	1874	26	183,094,756
1846	27	50,668,475	1875	27½	181,868,699
1847	28	48,783,909	1876	25½	179,421,825
1848	27	47,802,226	1877	24	179,347,859
1849	26	47,531,513	1878	22	208,933,507
1850	27½	46,884,061	1879	21	216,912,804
1851	29	46,684,317	1880	21¾	215,677,816
1852	29⅓	46,684,317	1881	21¾	212,284,605
1853	28½	46,684,805	1882	20½	212,240,123
1854	27½	62,223,505	1883	21½	210,996,987
1855	27½	67,755,675	1884	20¼	209,625,961
1856	27½	85,820,755	1885	18¾	207,861,450
1857	25¾	95,216,445	1886	20	213,582,585
1858	25½	92,569,138	1887	22¼	202,291,669
1859	25½	95,873,098	1888	24½	205,288,393
1860	26	87,990,353	1889	27¼	211,011,346
1861	25½	82,012,179	1890	23	297,730,014
1862	26¼	79,063,744	1891	16	448,453,824
1863	27¼	81,723,240	1892	13	524,024,707
1864	26½	99,543,755	1893	12	646,917,750
1865	25	100,649,035	1894	11	703,825,960
1866	24	112,844,080	1895	10	789,464,096
1867	22	117,160,259	1896	9	759,464,096
1868	17	124,686,209	1897	8	754,958,606
1869	19	183,224,767			

ANNEX B.

Table 1. Showing Value of Imports and Exports of Brazil since 1833.

	Year.	Mean Exchange.	Imports.	Exports.
		d.	Milreis.	Milreis
Par of exchange 67½*d.*	1823	50¼		
	1824	48		
	1825	51		
	1826	47		
	1827	35⅝		
	1828	32¾		
	1829–30	25		
	1830–31	23		
	1831–32	24⅝		
	1832–33	35		
Par of exchange 43½*d.*	1833–34	34½	36,237,000	23,011,000
	1834–35	36½	36,577,000	32,998,000
	1835–36	39	41,195,000	41,442,000
	1836–37	30	45,319,000	34,182,000
	1837–38	28½	40,757,000	33,511,000
	1838–39	31½	49,446,000	41,598,000
	1839–40	31¼	52,358,000	43,192,000
	1840–41	30⅛	57,727,000	41,671,000
	1841–42	29¾	56,040,000	39,084,000
	1842–43	26	50,639,000	41,039,000
	1843–44	25¼	55,289,000	43,800,000
	1844–45	25⅛	57,228,000	47,054,000
	1845–46	26¾	52,193,000	53,630,000

Year	Mean Exchange.	Imports.	Exports.
Par of exchange 27*d.*			
1846–47	28	55,740,000	52,449,000
1847–48	27	47,349,000	57,925,000
1848–49	26	51,569,000	56,289,000
1849–50	27½	59,165,000	55,032,000
1850–51	29	76,918,000	67,788,000
1851–52	29⅛	92,860,000	66,640,000
1852–53	28½	87,332,000	73,644,000
1853–54	27⅛	87,838,000	76,842,000
1854–55	27⅛	85,171,000	90,699,000
1855–56	27⅛	92,778,000	94,432,000
1856–57	25¾	125,351,000	114,553,000
1857–58	25⅛	130,440,000	96,247,000
1858–59	25½	127,722,000	106,805,000
1859–60	26	113 027.000	112,957,000
1860–61	25⅛	123,720,000	123,171,000
1861–62	26¼	110,531,000	120,719,000
1862–63	27¼	99,172,000	122,479,000
1863–64	26⅛	125,685,000	130,565,000
1864–65	25	131,746,000	141,068,000
1865–66	24	137,777,000	157,017,000
1866–67	22	145,002,000	153,253,000
1867–68	17	140,611,000	185,270,000
1868–69	19	168,510,000	207,723,000
1869–70	22	155,687,000	200,235,000
1870–71	24	137,264,000	166,949,000
1871–72	25	158,318,000	193,418,000
1872–73	26	156,730,000	215,893,000
1873–74	26	160,815,000	190,083,000
1874–75	27⅛	162,484,000	205,579,000
1875–76	25½	166,209,000	183,928,000
1876–77	24	155,073,000	196,338,000
1877–78	22	160,187,000	185.581,000
1878–79	21	165,319,000	210,804,000
1879–80	21¾	172,744,000	221,928,000
1880–81	21¾	181,005,000	125,851,000
1881–82	20⅛	182,251,000	209,851,000
1882–83	21⅛	185,861,000	195,498,000
1883–84	20¼	194,222,000	202,434,000
1884–85	18¾	174,431,000	226,269,000
1885–86	20	197,501,000	194,961,000
1886–87	22¼	209,406,000	263,519,000
1888	24⅛	260,998,000	212,592,000
1889	27¼	221,621,000	309,000,000
1890	23	260,100,000	317,822,000
1891	16	322,614,000	418,147,000
1892	13	382,100,000	433,941,000
1893	12	328,589,000	606,052,000
1894	11	341,539,000	601,046,000
1895	10	370,087,000	696,360,000
1896	9	553,947,000	694,057,000
1897	8	671,603,000	831,806,000

TABLE 2.—SHOWING THE VALUE OF IMPORTS AND EXPORTS, CALCULATED IN STERLING, APPROXIMATELY, SINCE 1850–51.

Year.	Exchange.	Imports.	Exports.
	d.	£	£
1850–51	29	9,300,000	8,200,000
1851–52	29⅛	11,400,000	8,100,000
1852–53	28⅛	10,400,000	8,800,000
1853–54	27½	9,800,000	8,800,000
1854–55	27⅛	9,750,000	10,400,000
1855–56	27⅛	10,630,000	10,800,000
1856–57	25¾	13,450,000	12,300,000
1857–58	25⅛	13,860,000	10,200,000
1858–59	25½	13,400,000	11,350,000
1859–60	26	12,350,000	12,240,000
1860–61	25½	13,150,000	13,000,000
1861–62	26¼	12,000,000	13,200,000
1862–63	27¼	11,500,000	13,800,000
1863–64	26½	13,800,000	14,300,000
1864–65	25	13,700,000	14,700,000
1865–66	24	13,800,000	15,700,000
1866–67	22	13,300,000	14,000,000
1867–68	17	9,900,000	13,300,000
1868–69	19	13,300,000	16,400,000
1869–70	22	14,300,000	18,300,000
1870–71	24	13,700,000	16,700,000
1871–72	25	16,500,000	20,150,000
1872–73	26	17,000,000	23,400,000
1873–74	26	17,400,000	20,600,000
1874–75	27⅛	18,600,000	25,200,000
1875–76	25½	17,600,000	19,500,000
1876–77	24	15,500,000	19,600,000
1877–78	22	14,700,000	17,000,000
1878–79	21	14,450,000	18,400,000
1879–80	21¾	15,800,000	20,000,000
1880–81	21¾	16,500,000	11,500,000
1881–82	20⅛	15,200,000	17,500,000
1882–83	21⅛	16,000,000	17,300,000
1883–84	20¼	16,200,000	16,900,000
1884–85	18¾	13,800,000	17,900,000
1885–86	20	16,500,000	16,300,000
1886–87 (18 months)	22¼	19,200,000	24,200,000
1888	24⅛	26,100,000	21,300,000
1889	27¼	25,000,000	34,800,000
1890	23	25,000,000	30,500,000
1891	16	21,600,000	27,900,000
1892	13	20,700,000	23,600,000
1893	12	16,500,000	30,300,000
1894	11	15,700,000	27,600,000
1895	10	15,450,000	29,000,000
1896	9	20,800,000	26,000,000
1897	8	22,350,000	27,700,000

ANNEX C.

TABLE 1.—PERIOD of FALLING EXCHANGE, 1821 to 1830.
(Average Annual Prices.)

Year.	Exchange.	Cotton, 32 lbs.	Rice, 32 lbs.	Sugar, 32 lbs.	Coffee, 32 lbs.	Rum, per Cask.	Tobacco, 32 lbs.
	d.						
1821	51	5$914	7$050	2$558	6$216	42$375	6$000
1822	49	5$500	6$300	1$950	5$085	35$300	5$880
1823	50¼	5$200	5$430	2$050	4$500	38$500	4$950
1824	48	5$500	6$662	1$983	3$126	39$500	3$300
1825	51	6$257	6$287	2$380	3$150	36$000	3$800
1826	47	5$200	7$350	2$340	2$624	61$166	4$850
1827	35⅝	5$767	11$000	3$060	3$000	61$667	4$600
1828	32¾	5$750	12$160	3$800	2$766	57$750	5$200
1829	25	6$100	9$375	3$830	3$650	76$666	4$700
1830	23	6$500	8$750	3$533	3$550	74$750	5$250

1821 *and* 1830 *compared.*

Depreciation of Currency, 55 per Cent.

Currency Prices:

Cotton	+ 7 per Cent.	Coffee	— 43 per Cent.
Rice	+ 19 ,,	Rum	+ 43 ,,
Sugar	+ 28 ,,	Tobacco	— 12 ,,

Average rise in prices, 10 per cent.

TABLE 2.—PERIOD of FALLING EXCHANGE, 1835—1844.
(Average Annual Prices.)

Year.	Exchange.	Rice, per Sack.	Sugar, per 32 lbs.	Coffee, 32 lbs.	Rum, per Cask.	Tobacco, 32 lbs
	d.					
1835	39	7$625	2$450	3$560	48$666	6$200
1836	38	7$500	2$860	3$635	42$000	5$500
1837	30	8$500	2$842	3$757	64$000	4$800
1838	28½	13$146	3$050	3$800	82$000	4$800
1839	31⅓	11$000	2$900	3$920	70$000	5$500
1840	31¼	9$750	2$650	3$750	—	—
1841	30¼	8$750	2$850	3$750	70$000	4$650
1842	26¾	9$500	2$300	3$500	64$000	4$950
1843	26	9$250	2$800	3$200	74$000	4$450
1844	25	8$250	2$750	3$150	67$000	4$800

1835 *and* 1844 *compared.*

Depreciation of Currency, 33 per Cent.

Currency Prices:

Rice - - - - + 7 per Cent.
Sugar - - - + 10 „
Coffee - - - - — 11 „
Rum - - - - + 26 per Cent.
Tobacco - - - — 24 „

Average rise in prices, less than 2 per cent.

TABLE 2A.—PERIOD of FALLING EXCHANGE, 1840—1844.
Prices of Articles not exported.

Year.	Exchange.	Jerked Beef, per 32 lbs.	Mandioca Flour, per Sack.	Black Beans, per Sack.	Maize, per Sack.
	d.				
1840	31¼	2$250	4$400	7$300	2$700
1841	30¼	2$000	4$300	9$750	2$900
1842	26¾	2$000	4$100	8$500	2$650
1843	26	2$500	4$300	6$750	2$400
1844	25	2$670	3$750	5$250	2$200

1840 *and* 1844 *compared.*

Depreciation of Currency, 20 per Cent.

Currency Prices:

Jerked beef - - - + 15 per Cent.
Mandioca flour - - — 14 „
Black beans - - - — 27 per Cent.
Maize - - - — 18 „

Average fall in prices, 11 per cent.

TABLE 3.—PERIOD of FALLING EXCHANGE, 1889—1897.
(Prices, Month of November each Year.)

Year.	Exchange.	Black Beans, per sack.	Rice, per sack.	Coffee, per 32 lbs.	Sugar, per kilo.	Mandioca Flour, per sack.	Salt, per sack.	Jerked Beef, per kilo.	Maize, per sack.	Rum, per cask.
	d.									
1889	27¼	7$500	6$600	6$530	0$280	13$500	0$980	0$240	4$500	105$000
1890	23	7$500	11$000	7$720	0$190	13$000	0$680	0$420	4$000	110$000
1891	16	6$000	17$000	11$580	0$340	14$000	0$600	0$420	5$000	120$000
1892	13	25$000	20$000	12$250	0$400	12$000	0$900	0$520	7$000	195$000
1893	12	22$000	20$000	16$700	0$400	14$000	1$300	0$520	7$000	120$000
1894	11	14$000	12$000	12$250	0$480	11$500	2$000	0$400	6$000	120$000
1895	10	24$000	16$000	14$298	0$430	22$000	1$800	0$440	6$500	105$000
1896	9	28$000	24$000	10$394	0$400	20$000	1$400	0$860	9$000	150$000
1897	8	30$000	25$000	11$000	0$510	18$000	2$800	0$820	9$500	205$000

1889 *and* 1897 *compared.*

Currency depreciated, 70 per Cent.

Currency Prices:

Black beans - - + 75 per Cent.
Rice - - - + 73 „
Coffee - - - + 44 „
Sugar - - - + 45 „
Mandioca flour - - + 25 „
Salt - - - + 65 „
Jerked beef - - + 70 „
Maize - - + 52 „
Rum - - - + 50 „

Average rise in prices, 55 per cent.
Average rise in wages, 43 per cent.

1889 *and* 1892 *compared.*

Currency depreciated, 52 per Cent.

Currency Prices:

Black beans - - + 70 per Cent.
Rice - - - + 67 „
Coffee - - - + 46 „
Sugar - - - + 30 „
Mandioca flour - - — 11 „
Salt - - - - — 8 „
Jerked beef - - + 53 „
Maize - - - + 35 „
Rum - - - + 46 „

Average rise in prices, 36 per cent.
Average rise in wages, 11 per cent.

TABLE 4.—PERIOD of RISING EXCHANGE, 1831—1835.

(Average Annual Prices.)

Year.	Exchange.	Cotton, 32 lbs.	Rice, 32 lbs.	Sugar, 32 lbs.	Coffee, 32 lbs.	Rum, per cask.	Tobacco, 32 lbs.
	d						
1831	25	6$970	8$666	2$816	4$135	65$800	5$850
1832	36½	5$333	8$670	2$600	4$254	58$000	5$450
1833	37	6$200	8$500	2$267	3$895	50$500	5$700
1834	38⅓	6$700	9$700	2$200	3$655	52$700	5$600
1835	39	6$500	7$625	2$450	3$560	48$666	6$200

1831 *and* 1835 *compared.*

Appreciation of Currency, 36 per Cent.

Currency Prices:

Cotton	— 7 per Cent.	Coffee	— 14 per Cent.
Rice	— 11 ,,	Rum	— 26 ,,
Sugar	— 8 ,,	Tobacco	+ 6 ,,

Average fall in prices, 10 per cent.

TABLE 5.—PERIOD of RISING EXCHANGE, 1843—1847.

(Average Annual Prices.)

Year.	Exchange.	Black Beans, per sack.	Rice, per sack.	Coffee, per 32 lbs.	Sugar, per 32 lbs.	Mandioca Flour, per sack.	Jerked Beef, per 32 lbs.	Maize, per sack.	Rum, per cask.
	d.								
1843	25	6$750	9$250	3$200	2$800	4$300	2$500	2$400	74$000
1844	25	5$250	8$250	3$150	2$750	3$750	2$600	2$200	67$000
1845	26	8$000	8$250	3$150	2$750	4$000	2$600	2$000	64$000
1846	27	10$250	8$750	4$000	3$000	4$300	2$750	—	62$000
1847	28	9$000	9$250	3$600	3$000	5$000	2$000	4$100	79$000

1843 *and* 1847 *compared.*

Appreciation of Currency, 10 per Cent.

Currency Prices:

Black beans	+ 25 per Cent.	Mandioca flour	+ 15 per Cent.
Rice	—	Jerked beef	— 20 ,,
Coffee	+ 11 per Cent.	Maize	+ 41 ,,
Sugar	+ 6 ,,	Rum	+ 6 ,,

Average rise in prices, 10·4 per cent.

TABLE 6.—PERIOD of RISING EXCHANGE (18*d.* to 27*d.*)

(Prices month of November each year.)

The YEARS 1868 and 1875 compared.

——	1868 (Exchange 18*d.*)	1875 (Exchange 27*d.*)	Rise or Fall.
			Per Cent.
Rice (Foreign), Sack	13$000	8$600	−33
Rice (Brazilian), Sack	15$500	10$500	−32
Black Beans, Sack	14$500	10$500	−34
Maize, Sack	4$100	3$400	−17
Jerked Beef (Plate), 32 lbs.	2$700	5$400	+50
Jerked Beef (Brazilian), 32 lbs.	2$300	4$200	+45
Bacon, Kilo	0$640	0$800	+20
Sugar, 32 lbs.	4$500	3$000	−33
Rum, Hogshead	105$000	75$000	−28
Mandioca Flour, Sack	10$500	11$000	+ 4
Wheat Flour, Sack	27$500	15$250	−44

Appreciation of currency, 33 per cent. Average fall in prices of nine articles, 13 per cent.

TABLE 7.—PERIOD OF RISING EXCHANGE 1885–1889.

(Prices month of November each year.)

Year.	Exchange.	Black Beans, Per Sack.	Rice, Per Sack.	Coffee, Per 32 lbs.	Sugar, Per Kilo.	Mandioca Flour, Per Sack.	Salt, Per Kilo.	Jerked Beef. Per Kilo.	Maize, Per Sack.	Rum Per Cask.
	d.									
1885	18	11$000	11$000	4$500	0$230	7$000	0$780	0$200	5$000	95$000
1886	20	7$000	11$000	5$310	0$200	9$500	0$700	0$400	3$600	85$000
1887	22	8$000	8$400	7$420	0$190	8$500	0$950	0$180	3$000	85$000
1888	25	6$000	10$000	4$630	0$170	8$500	1$000	0$220	4$800	105$000
1889	27	7$500	6$600	6$530	0$280	13$500	0$980	0$240	4$500	105$000

1885 *and* 1889 *compared.*

Appreciation of currency, 33 per Cent.

Currency Prices:

Black beans	— 32 per Cent.	Salt	+ 20 per Cent.
Rice	— 40 ,,	Jerked beef	+ 16 ,,
Coffee	+ 30 ,,	Maize	— 10 ,,
Sugar	+ 18 ,,	Rum	+ 9 ,,
Mandioca flour	+ 48 ,,		

Average rise in prices more than 5 per Cent.
Wages unaltered.

ANNEX D.

TABLE 1.—RIO DE JANEIRO CITY IMPROVEMENTS COMPANY.

Comparative Rates of Workmens' Wages in Years 1884, 1890, 1893, and 1898.

Class of Workman.	Wages, 1884, per Day.	1890, per Day. Exchange 23*d.*	1893, per Day. Exchange 12*d.*	1898, per Day. Exchange 7½*d.*
Head carpenter	6$000	6$000	7$500	12$000
General carpenter	3$740	3$780	5$250	7$200
Head plumber	5$300	8$300	9$300	12$500
General plumber	3$450	3$680	4$820	7$400
Assistant plumber	1$980	2$280	2$450	3$350
Bricklayer	4$000	4$000	4$500	5$500
Do. assistant	2$800	2$800	3$600	4$000
Labourer	2$200	2$300	2$900	3$600
Carter	2$700	2$600	3$500	4$500

1890 *and* 1893 *compared.*

Currency depreciated, 48 per cent.
Rise in wages, 17·5 per cent.

1890 *and* 1898 *compared.*

Currency depreciated, 67 per cent.
Rise in wages, 37 per cent.

TABLE 2.—MINAS AND RIO RAILWAY.

Comparative Rates of Workmens' Wages between 1884 and 1898.

Years.	Per Day.							
	Drivers.		Firemen.		Masons.		Carpenters.	
	Maximum.	Minimum.	Maximum.	Minimum.	Maximum.	Minimum.	Maximum.	Minimum.
1884 to 1891	6$000	4$500	2$500	2$300	3$500	3$500	4$000	3$000
1892	7$000	5$000	3$000	2$600	4$000	3$500	5$000	3$300
1893	7$500	6$000	4$000	3$500	4$000	4$000	6$500	5$000
1894	8$000						6$500	5$500
1895	8$500				5$000	5$000		
1896					6$000	6$000	8$000	6$500
1897 and 1898	9$500	7$000			7$000	7$000		

1889 *and* 1892 *compared.*

Currency depreciated, 52 per cent.
Rise in wages, 11 per cent.

1889 *and* 1897 *compared.*

Currency depreciated, 70 per cent.
Rise in wages, 43 per cent.

No. 57.

REPORT ON THE CURRENCY OF ITALY.
(Received through the Foreign Office.)

I.

1. The Italian monetary system is, in its normal state, identical with the French.

2. Up to 1865 the circulation was principally a metallic one. The public did not absorb bank notes, and preferred certificates and credit notes representing effective bank deposits.

The actual issue of bank notes had increased from 1860 to 1865 from an average of 80 millions of lire to an average of 132 millions.

3. The crisis of 1866, which weighed so heavily on all the money markets of Europe, had made itself felt more intensely in Italy in consequence of the rumours and preparations for war with Austria. Private individuals withdrew their deposits, and the banks which had discounted and were discounting largely Treasury "bons," restricted the discounting of bills.

Thus, large and influential financial houses, threatened with bankruptcy, pressed the Government to declare the inconvertibility of bank notes, placing the National Bank in a position to recommence discounting.

The Government, which, on its own account, was preparing to make use of the banks in order to provide for the expenses of a war with Austria, decreed the "*Corso Forzoso*"* on the 1st of May 1866, and exacted from the banks a loan of 278 millions of lire.

This decree is of the greatest importance in the history of the paper circulation in Italy; from it dates the expansion of paper issue, not only on account of the State, but also on the account of the banks themselves. It gave to the "Banca Nazionale" the privilege of inconvertibility for its notes in consideration of the loan above mentioned. The notes of the other banks were made legal tender, and these banks were granted the power of gratuitously exchanging their notes for those of the Banca Nazionale up to the amount of the sum immobilised by them as their metallic reserve.

The following account of the events which led up to the decree is taken from the "Storia della Circolazione Bancaria in Italia," by C. Supino:—

"During the period 1860–1865 the deficits in the Budgets amounted to the enormous sum of two milliards and a half of lire; and these were met mostly by foreign capital, in the shape of loans and the issue of rentes.

"The reconstituted country of Italy had launched into all the expenditure of a great nation, and the organization of armies and fleets, the construction of ports, arsenals, railways, and roads had entailed an increasing expense with which the development of the resources of the country was unable to keep pace; and the year 1866 saw a further deficit of 261 million lire for which further debt would have to be contracted.

"The credit of the State began to totter. In 1860 the price of Italian Rentes on the Paris market was 80, in 1862 it fluctuated between 67 and 75, descended to 64·40 in 1865, and finally fell to 43·90 in April 1866. The Italian Government were making every preparation for a war with Austria, and the rumours to that effect completed the work of financial discredit. The low price of Italian securities abroad induced Italian investors to withdraw their capital from the development of home industries in order to purchase their own Rentes. The prevailing opinion that Italy would take refuge in an inconvertible paper currency led foreign banks to refuse drafts on Italy, and they sent back all their Italian paper to be exchanged for metal or bills on other countries.

"Italian depositors hurried to withdraw their deposits in metal while yet in time, and the bearers of bank notes brought them in masses to be exchanged for gold.

"Gold was the one object sought, and the anxiety to obtain gold on the one side, and the dread of parting with it on the other, led to a deadlock in discounting and other financial business.

"Such was the economic situation in Italy at the beginning of 1866.

"Towards the latter end of April events precipitated themselves.

"On the 18th the Chamber of Commerce of Alessandria writes to the Minister of Agriculture praying for an immediate remedy for the hardships under which commerce was suffering, aggravated by the measures adopted by the 'Banca Nazionale' to restrict discount operations. Three days later an alarming message was sent by the Syndic of Genoa to the Minister of Finance, stating that the markets of that city were labouring under the effect of a most serious financial crisis. 'A deep and widespread mistrust is inducing 'the capitalists to withdraw their deposits from the 'banks in order to convert their paper into gold and 'export it abroad.' The Genoa Chamber of Commerce wrote again and again, 'A genuine commercial crisis 'is approaching rapidly,' and complaining that though the rate of discount was nominally low, the banks had practically suspended all discounting.

"On the 26th of April the Director General of the 'Banca Nazionale' informed the Minister of Finance that he was unable to place the Treasury 'bons,' although offered at a great loss. On the 27th the Presidents of the 'Cassa di Sconto' of Turin and of the 'Cassa Generale' of Genoa, telegraphed to the Minister with a view to obtaining large assistance from the 'Banca Nazionale,' in order to avoid the most disastrous consequences in the approaching settlement. And on the 28th April the Genoa Chamber of Commerce begged the Government to take steps to provide against the whirlwind of ruin which threatend the whole city and a great part of the kingdom.

"The Government turned to the 'Banco Nazionale' for assistance and advice. The bank set forth, in a detailed report, that circulating capital was wanting, because it had been absorbed in the acquisition of securities, or was locked up in strong rooms in consequence of the prevailing distrust; that the bank could not increase it because their notes did not remain in circulation, and therefore, in order not to have to provide for the exchange of the latter into coin, they were obliged to restrict operations; that commerce and industry consequently found themselves abandoned, or but little supported by the banking institutions; that private fortunes were shaken by the extraordinary depression in the prices of securities. 'This state of things,' concluded the Director General, 'requires 'energetic remedies, which may be efficacious to-day, 'useless to-morrow. Perhaps never was the country 'in a position so alarming.'

"Henceforth the efforts of the banks to stem the tide of panic were unavailing; the state of affairs grew daily worse, and the authorities at Genoa made desperate appeals to the Government for remedial measures. On the 30th of April the Government, having been authorised to declare war against Austria, obtained from the Chamber full powers to adopt measures for the salvation of the country, and on the 1st of May 1866 the decree was signed which freed the National Bank from the obligation to redeem its notes with metal."

In this way began the period of inflation of inconvertible paper money.

While before 1866 the total fiduciary circulation (bank notes, deposit notes, &c.) did not reach 300 millions, at the end of 1866 it was more than duplicated and has ever since been increasing.

4. The larger portion of the note circulation represented loans made to the State, which from the original 278 millions had risen in 1875 to 940 millions.

That part of the paper issued by the banks on their own account, which may be called the "commercial" circulation, had legally to be met by a metal reserve, but this was in fact far from sufficient to guarantee convertibility. But as regards the circulation of notes issued on account of the State, the banks were released from the obligation of holding any metallic reserve.

These circumstances explain the great depreciation of the fiduciary medium issued to the public to provide for the needs of the Treasury, and in excess of the real needs of the public.

The following are the statistics of the note circulation, showing the issues made to the debit of the State and those made by the banks on their own account, together with their depreciation as measured by the annual average premium on gold.

* Inconvertibility of the bank note.

Period 1866–80.

Year.	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Premium on Gold.
Previous to 1866	295	—	295	—
1866	620	278	342	8
1867	849	378	471	7·37
1868	915	378	538	9·82
1869	915	378	537	3·94
1870	1,037	500	537	4·50
1871	1,206	629	577	5
1872	1,363	740	623	8·60
1873	1,464	790	664	12·44
1874	1,513	880	633	11
1875	1,561	940	621	7
1876	1,586	—	646	7·52
1877	1,568	—	628	9
1878	1,632	—	672	8·75
1879	1,672	—	732	10·17
1880	1,688	—	748	8·34

5. The succeeding period was one of many financial expedients on the part of the Government to obtain money for the State, and of a few legislative efforts in the direction of a return to a sounder currency. The latter were all abortive, and the former resulted in further concessions with regard to the note-issuing powers of the banks, and increased obligations on the part of the State with a corresponding increase in the paper circulation enforced on the people. Eventually, in spite of much resistance on the part of the banks, the abolition of the Corso Forzoso was provided for by a law introduced by the Minister Magliani, who dwelt on the evils resulting to the national production, commerce, credit, and finance from the inconvertible paper currency, and from the inflated paper issues of the banks. This law was passed on April 7, 1881. The State contracted a loan abroad of 600 millions of lire, destined for the conversion of the same value of bank notes. The other 340 millions of its debt were repaid by State notes convertible on demand of the bearer, and, since these notes were of small denomination (5–10 lire), it was calculated that the market would easily absorb them and keep them in circulation. The payment of coin for notes was, in accordance with the provisions of this law, resumed in the spring of 1883, but the public showed no great disposition to return to the practical use of the metallic currency, and the discount on paper disappeared during this period (1883–1890).

6. The operation, as a whole, was not successful. With the resumption of metallic payments there came a rush of foreign capital into Italy, attracted by the high rate of interest, and no longer fearing the oscillations of the agio. A great rise in public and private securities ensued, and the period 1881-1890 was characterised by an extraordinary activity in business and speculation, which had no solid foundation in the development of industry and commerce, but was principally manifested in banking and bourse dealings. It was also a period of great schemes of armaments, naval construction, and railroad building, which reopened in the State finances an era of deficits and public debts. Thus, while speculation was undermining the banks, the State was injuring the national credit at home and abroad.

The sum of 600 million lire, repaid by the State to the banks, while it would not have been sufficient in normal conditions to assure the convertibility of the notes already issued by the banks on their own account, was, in reality, made use of by the latter to increase, for the purpose of supporting the excessive speculation, the inflated circulation of their notes.

Between the years 1889 and 1890 the reaction began to make itself felt.

The following are the figures showing the paper circulation for the period 1881–1890.

Year.	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Rate of Exchange.
1881	1,675	940	735	100·28
1882	1,672	940	732	101·26
1883	1,511	718	793	99·15
1884	1,510	611	899	100·
1885	1,441	493	948	100·35
1886	1,477	446	1,031	100·38
1887	1,470	395	1,075	100·19
1888	1,420	346	1,074	100·98
1889	1,460	344	1,116	100·67
1890	1,468	342	1,126	101·15

7. The reaction having set in with the approach of the moment of liquidation, the notes flowed into the banks, but the latter had not the means to cash them and avoided that process by many illegal expedients.

The Government and public opinion, fearing the consequences that the failure of the banks would entail on the credit of the country and on the finances of the State, supported the banks in their struggle with the note-holders demanding payment. Then began a period of an inconvertible paper currency "de facto," and the agio reappeared. Nevertheless this "de facto" paper currency did not succeed in saving the banks from failure; the State, which had encouraged the financial institution to support the speculative enterprizes of the preceding period, put an end to the uncertainty of the public by themselves assuming the liabilities of the banks, that is to say, by guaranteeing to the public the payment of the bank notes by means of State notes, taking legislative measures for declaring for the latter the "Corso Forzoso" or inconvertibility. This is the régime in force at the present day.

The following are the statistics for the period in question:—

Period 1891–98.

Year.	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Premium on Gold.
1891	1,463	342	1,121	1·55
1892	1,479	341	1,138	3·55
1893	1,572	351	1,221	7·97
1894	1,610	492	1,128	11·08
1895	1,595	510	1,085	5·57
1896	1,579	510	1,069	7·63

8. In conclusion, the Government have twice declared the "Corso Forzoso" for bank notes. On the first occasion it had recourse to such a measure as a fiscal expedient in order to obtain credit and to cover the deficits in the budget; the second time there were no fiscal reasons, but the Government, having favoured the industrial fever and having urged the banks to support the building speculation, the agricultural undertakings, the "*Crédits Fonciers*," the construction of railways, &c., &c., were unable or unwilling to separate their responsibility from that of the banks; to this motive may be added the general dread of the disturbances which the failure of the great banks would have produced in the country. Therefore, in order to prop up the banks without the direct intervention of the Treasury, the "Corso Forzoso" was re-established.

II.

9. With regard to the effect of the depreciation of the paper money on commerce and on the general level of prices, it has always been the widespread opinion in Italy that the agio on gold and its rapid fluctuations have impeded import trade, and have raised, first, the

prices of imported goods, and, finally, the general level of all prices and even of wages.

But this theory does not meet with absolute confirmation by such statistics as are available, because the presence of more effective influences either hides or neutralizes the action of the depreciation of the paper money.

10. The following are the figures relating to wages, which, since 1862, have been collected at different times from a hundred of the trades distributed over various regions.

Year.	Average of Industrial Wages.	Average of Agricultural and Mining Wages.	Average of the two preceding Columns.
1862	1·36	2·44	1·90
1867	1·64	2·57	2·10
1871	1·79	3·09	2·44
1881	2·34	3·53	2·93
1888	2·55	2·64	2·59
1889	2·62	2·65	2·63
1891	2·55	2·89	2·72
1892	2·51	3·00	2·75
1893	2·53	3·48	3·00
1896	2·54	2·60	2·57

It will be seen that wages tended to rise in the period from 1862 to 1886 as well as in the period since the introduction of the "corso forzoso."*

Dividing these data respectively into the four periods:

1862–66 (no agio);
1866–80 (agio);
1880–90 (no agio);
1890–97 (agio);

which succeed each other according to a paper or metallic currency, the effect of the depreciation of the paper money is hardly distinguishable.

11. Very little or no information has been collected respecting the history of prices in Italy; official publications are grounded almost exclusively on the values of goods as fixed on the frontier by the Customs Commission, instituted in 1879. It may be said, however, that the prices of manufactures and commodities show a general tendency to go down independently of the presence or otherwise of the agio. Evidently general and particular causes of a stronger nature neutralize or disguise the action of the agio.

12. With regard to the influence of a depreciated paper currency on external trade, a correspondence is perceptible between the movement of commerce and the movement of the agio.

From the annexed tables (Table A.) it may be observed generally that the total of external trade diminishes during the transition from a period of metallic currency to a succeeding period of depreciated paper currency, and it may be noted that the difference is greater in the case of the imports than of the exports. This confirms the opinion that the existence of the agio, with its fluctuations, is an obstacle in the way of the importation of goods from abroad.

13. On the other hand, care should be taken not to exaggerate the effect which this cause may seem to have on the movement of Italian foreign trade, as there are other circumstances which may explain the variations observed. From 1862 to 1865 the Italian Government were raising loans of the ordinary kind in which foreign capital took part; hence the excess of imports over exports represents in part the advances made directly or indirectly to the Italian Treasury. *Vice versâ* from 1866 to 1880 the State drew on its credit in the disguised form of an internal issue of bank notes. Again, in and after 1881, during the years of great speculation, armaments, &c., and of new deficits in the budget, the State contracted further loans abroad; thus, foreign capital returned in great quantity into Italy and increased the figures of the import trade. The financial operation undertaken for the abolition of the "Corso Forzoso" itself acted in a similar manner.

On the other hand after 1887 the protective tariff came into operation, which led towards an absolute diminution in the total foreign trade, with a relative excess of exports over imports; its effect, therefore, is contemporaneous with that of the depreciated paper currency prevailing since 1891.

14. In conclusion, the presence of other concomitant causes makes it difficult to isolate the action of the agio on the trade of Italy, and necessitates precaution before accepting the theory of the restricting action of the agio on foreign trade.

The appended translations of extracts from Signor Supino's work, "Storia della circolazione Bancaria in Italia," may be of interest as describing the more immediate effects on the economic condition of Italy: (1) of the measure decreeing the inconvertibility of the paper currency, 1866 (Appendix 1); and (2) of the introduction of the measure re-establishing the metallic currency, 1880-81 (Appendix 2).

TABLE A.

Italian Foreign Commerce (not including goods in transit and exclusive of the precious metals).

Year.	Importation (000).	Exportation (000).	Total (000).
Period, 1862–65 (Metallic Currency).			
1862	829,874	576,421	1,406,295
1863	901,975	633,456	1,535,431
1864	983,621	573,275	1,556,896
1865	965,139	557,542	1,522,681
Period 1866–1880 (Depreciated Paper Currency).			
1866	868,684	612,997	1,481,681
1867	884,429	732,221	1,616,650
1868	895,111	785,627	1,680,738
1869	935,010	791,431	1,726,441
1870	894,367	755,302	1,649,669
1871	961,456	1,074,589	2,036,045
1872	1,182,509	1,162,262	2,344,771
1873	1,261,170	1,131,395	2,392,565
1874	1,295,646	978,188	2,273,834
1875	1,206,919	1,022,290	2,229,209
1876	1,307,079	1,208,488	2,515,567
1877	1,141,542	933,966	2,075,508
1878	1,062,344	1,021,331	2,083,675
1879	1,251,696	1,071,969	2,323,665
1880	1,186,831	1,104,126	2,290,957
Period 1881–1890 (Metallic Currency).			
1881	1,239,671	1,164,616	2,404,287
1882	1,227,033	1,151,784	2,378,817
1883	1,287,506	1,187,730	2,475,236
1884	1,318,777	1,070,928	2,389,705
1885	1,459,869	950,758	2,410,627
1886	1,458,243	1,028,231	2,486,474
1887	1,604,947	1,002,136	2,607,083
1888	1,174,601	891,934	2,066,535
1889	1,391,154	950,645	2,341,799
1890	1,319,638	895,945	2,215,583
Period 1891–96 (Depreciated Paper Currency).			
1891	1,126,584	876,800	2,003,384
1892	1,173,391	958,187	2.131,578
1893	1,191,227	964,188	2,155,415
1894	1,094,649	1,026,506	2,121,155
1895	1,137,288	1,037,707	2,224,995
1896	1,173,066	1,051,876	2,224,942

Extract.

"Hardly had the 'Corso Forzoso' been decreed than, "as it was easy to foresee, a sensible change occurred "in the economic conditions of the country, besides a "radical transformation in the currency.

"After the decree of the 1st of May, in some regions "of Italy transactions were still carried on in metal, "nor were there districts wanting in which the distrust of paper was so great that notes were not "accepted. Sometimes the paper was accepted, but "the bargain was made in metal, and the buyer had to "pay the agio; in other places there were two prices, "one in the legal currency, the other in gold or silver.

"From this existence of a dual measure of value "arose confusion, uncertainty, and public disturbances, "greatest in the Southern provinces where the people "were least accustomed to a fiduciary circulation. "Prices underwent a change proportional to, and "sometimes in excess of, the agio on gold; but the

* Documenti a corredo del Progetto di Legge per l'abolizione del corso forzoso; Allegato No. 17, (Atti parlamentare, No. 122, prima sessione 1880.)

" rise in prices did not affect all products in the same " degree or with the same rapidity. The first to feel " the influence of the 'Corso Forzoso' were the pro- " ducts from abroad, which were paid in metal, next " the commodities which compete with foreign pro- " ducts, such as silk, wool, or cotton tissues, or those " national products which could be exported, such as " silk, flax, cheese, &c. The rise was less felt in those " goods for which the demand remained stationary, " and in certain objects of internal consumption. In " face of this increased dearness of commodities, in " hardly any part of Italy was there an increase of " wages; and, where there was such increase, it was " neither so rapid nor so uniform nor so general as " the rise in the price of commodities; in some places " wages even suffered a reduction.

"The agricultural interest was not injured by the " 'Corso Forzoso,' since many of its products were sold " abroad and the difference in exchange pocketed, while " the taxes and rents were paid in paper, as also the " debts previously contracted; the price of labour did " not rise. With regard to the manufacturing industry, " Piedmont considered the Corso Forzoso as favourable " to it, looking on the agio as a protective duty on " national production, while in other regions an entirely " contrary opinion prevailed.

"Trade, and especially the import trade, diminished " in a sufficiently sensible manner.

"On credit the 'Corso Forzoso' had deplorable effects. " Abroad, no one would do business with Italy, or " only on conditions that were ruinous to that country. " The books of the Banca Nazionale changed their " character—instead of bills of 20 or 30 thousand lire " for colonial or cotton goods, &c., they now contained " the paper of speculators on the rise or fall of the " agio and small local bills. Beyond that, the instability " of the currency, the fear of an increasing depreciation, " the uncertainty of the future, diminished all " banking transactions relating to advances, credits, " accounts current, and other similar business. Credit " was restricted, because supplies from abroad were " wanting, and because the national capital was hidden " away or sent abroad: thus it was said that one " house at Genoa had deposited £70,000 sterling in " London, and that in Umbria much private capital " was invested in the Papal States.

"But of the immediate effects of the 'Corso Forzoso' " none was more serious or more terrible than that " on the monetary circulation of the country. It is " an undisputed fact that the declaration of the incon- " vertibility of the bank note always causes the dis- " appearance of metallic money; but, while the " disappearance has usually little importance, as being " limited to coins of high denomination, in Italy, which " had shortly before joined the Latin Union, not only " the gold and silver of high denomination were ex- " ported, but also the silver and even the copper " divisionary money disappeared, because they had " currency in the other States of the Union.

"The small coins accordingly disappeared suddenly; " the Government, led by false reasoning, was un- " willing to substitute in their place small notes, as " they feared to aggravate the evil or to make it in- " curable; in the meanwhile the small transactions of " daily life became impossible, with great injury to " trade, and with danger to the public tranquility."

APPENDIX 2.

"As it was easy to foresee, the mere introduction of " the Bill for the Abolition of the 'Corso Forzoso' " brought about a sudden fall in the exchanges, the " agio, the price of Stock Exchange securities, and " produced a veritable panic in all the markets. The " anticipation alone that money would rise in value, and " would cause a universal reduction in prices, provoked " this fall long before the abolition of the 'Corso " Forzoso' was an accomplished fact.

"In view of the probable fall, the speculators " hastened to sell, intensifying the precipitous decline " in prices. Those who were obliged to sell could no " longer find buyers, while the serious business man " preferred to stop trading, looking for other means " to meet his engagements; hence an intense demand " for money just at the moment when the banks, in " order to prepare for the return to a metallic cur- " rency, were obliged to restrict their advances and " discount operations. Towards the end of November " 1880 the panic was already transformed into a genuine " crisis. The speculators for the rise were obliged to " pay heavy differences, whilst it mattered little to them " that the numerical diminution of prices was compen- " sated for by the greater value of the money in their " new purchases. Merchants saw overturned the con- " ditions on which they had based their contracts and " made their calculations. Those who had bills to meet " sustained injury by the heightened value of money, " and those who had to receive money due reaped an " unearned advantage.

"And it was not the speculators alone who felt the " influence of the forthcoming abolition of the 'Corso " Forzoso." The rapid decline of the agio, which hap- " pened immediately after the presentation of the Bill, " led to a reduction in prices, but not in those of all " goods equally or at the same time.

"Thus came about a conflict of the economic in- " terests of the various classes of society, the reverse " of that which had been manifested at the moment of " the introduction of the 'Corso Forzoso.' And as at " that time the national producers had reaped an advan- " tage from the fact that the price of the more im- " portant commodities and of labour had not increased " in proportion to the depreciated value of the paper " money; so now they suffered injury because those " same commodities and wages could not or would " not bring themselves into line with the rise in value " of the circulating medium. Moreover, the fall in " the agio immediately facilitated the importation of " goods from abroad, removed that kind of protective " duty which industry had enjoyed, and thus caused " not inconsiderable losses."

PERU.

No. 58.

Report on the Currency of Peru.

(Received through the Foreign Office.)

Whilst Peru was under the domination of Spain, gold and silver were coined in the mints, which were established at Lima, Cuzco, and Potosi. The latter place was then within the jurisdiction of the Audiencia de Charcas, in which sphere the territories forming part of the present State of Bolivia were included. Inasmuch as until the year 1776 Charcas was placed under the control of the Spanish viceroys, who resided at Lima, the mintage at Potosi has also been taken into consideration.

It is clearly shown by coinage returns that the stock of gold, as compared with that of silver, must at all times have been very small. It has not been possible to ascertain the total of the gold and silver minted at Lima, Potosi, and Cuzco since the foundation of the mints, but sufficient information has been collected to bear out the statement that silver has always been the principal currency of the country, and that consequently the disappearance of the gold currency could have no effect whatever upon wages, rent, &c., or the import or export trade of Peru.

On examination of the Returns marked I., II., III., IV., and V., appended to this Report, it will be perceived that the output of silver coin at the mints above referred to was infinitely greater than the gold minted there. It is true that gold coin was also imported into Peru from some of the other Spanish possessions, but this could scarcely have increased the ordinary stock of gold in a permanent manner, since it was constantly depleted by large remittances to Spain.

On certain occasions it did happen in Lima, and probably in other towns in this country, that silver was at a premium; but this state of things lasted for a short period only, and was probably owing to the non-arrival of silver remittances.

Gold was demonetised by statute in 1872, but, as a matter of fact, it had disappeared before that date as a circulating medium. No gold was coined between 1863 and 1898.

Though, perhaps, foreign to the scope of the inquiry, a few remarks may be made upon the history of the paper currency in Peru.

Private banks of issue were established in 1863. At first the issues were fairly well regulated. However, the Government having borrowed large sums from the banks, their situation became embarrassed, and they ran short of silver with which to redeem their notes. On that emergency the Government in 1875 relieved them from that obligation, and thus the paper became inconvertible.

During the war with Chili, which broke out in 1879, the Government continued issuing paper money, until very large sums, estimated in the aggregate at about eighty-five million soles, were put into circulation, and the notes fell to threepence per sol.

When in 1881 the Chilians occupied the Peruvian coast, they refused to receive these notes in payment of duties and taxes, insisted on being paid in silver, and opened the mint to the free coinage of silver. On the evacuation of Peru by the Chilian forces, the first Peruvian Government which was established maintained the system, and thus silver continued to be the basis of all monetary transactions. Nevertheless, paper money was still used as a subsidiary currency, but solely for satisfying domestic necessities in the provision market. However, in December 1887 the market people refused to receive it; and, notwithstanding the protests of the holders of this worthless paper, the refusal was persisted in, and since then no paper money has been issued in Peru.

A very interesting experiment is now being made by the Peruvian Government with the view of establishing a gold standard. Since 1897, measures have been adopted with that object, the coinage of silver has been suspended, with the exception of the minting of fractional coins, and the importation of soles prohibited, whilst silver coins have been melted down in large quantities and exported. The pound sterling was declared to be a legal tender, and coins denominated "libras" (pounds) of exactly the same weight and fineness as the English sovereign are being coined, but, so far, in limited quantities. Up to December 1898, 40,103 pounds had been struck.

The immediate result of these measures has been to give the Peruvian sol a market value much above its intrinsic value, inasmuch as for a long period the exchange has been at about 23⅝*d*. Gold has been imported in fairly large quantities, and it is estimated that at the present moment there are about two hundred thousand pounds in English and Peruvian gold coins in Peru.

With regard to the steps taken to procure the contraction of the silver currency, it is doubtful whether the object has been achieved. Millions of soles were known to exist abroad, especially in Central America. The incentive to contraband is so great, owing to the high rate of exchange ruling at present, that in all probability an illicit trade is carried on. In any case it is reported that silver coin has never been so abundant, even in the towns of the interior, where formerly silver had to be remitted, whilst this is not the case now. However, it seems somewhat anomalous that the stock of silver should increase without disturbing the rate of exchange.

When paper money became inconvertible, the prices of imported commodities naturally underwent great fluctuations, owing to the depreciation of the notes, and subsequently owing to the heavy fall in the value of silver. These factors have undoubtedly retarded the development of the country, and consequently affected seriously the import and export trade. But other causes more potent, especially international and civil wars, have in a much greater measure been instrumental in depressing the agriculture, trade, and industry of Peru.

4th February 1899.

I.—Statement showing the Amount of Gold and Silver Coinage minted at Lima from 1791 to 1821.

Year.	Gold Dollars.	Silver Dollars.	Year.	Gold Dollars.	Silver Dollars.
1791	756,589	4,261,403	1807	307,710	3,484,047
1792	695,418	4,896,762	1808	292,722	3,978,205
1793	647,321	5,295,565	1809	312,147	4,486,355
1794	784,577	5,309,760	1810	301,565	4,492,690
1795	660,967	5,289,243	1811	318,882	4,508,825
1796	629,798	5,270,401	1812	534,685	3,453,495
1797	583,724	4,546,206	1813	639,732	3,938,547
1798	535,810	4,758,094	1814	672,236	3,628,717
1799	496,524	5,512.345	1815	634,925	3,745,217
1800	378,596	4,399,409	1816	772,267	3,866,917
1801	328,051	4,523,932	1817	778,516	3,388,555
1802	337,612	4,143.810	1818	471,661	3,269,187
1803	350,622	3,990,593	1819	587,607	3,269,899
1804	352,759	4,340,906	1820	501,883	3,788,027
1805	399,932	4,383,792	1821	335,616	1,966,418
1806	218,046	4,348,668			

II.— Statement showing the Amount of Gold and Silver Coins minted at Lima, 1853 to 1863.

Year.	Gold Marks.	Silver Marks.	Year.	Gold Marks.	Silver Marks.
1853	4,100	5,213	1857	3	—
1854	3,242	—	1858	—	47,719
1855	3,533	44,187	1859	—	26,466
1856	140	2,652	1860	—	12,181

1863. In this year were coined in gold, 4,544,200 soles.

III.—Statement showing the Amount of Gold and Silver Coins minted at Cuzco from 1825 to 1845.

Year.	Gold Marks.	Silver Marks.	Year.	Gold Marks.	Silver Marks.
1825	1,407	28,061	1836	283	46,662
1826	2,124	57,989	1837	829	39,384
1827	268	30,856	1838	835	58,651
1828	393	37,603	1839	210	41,919
1829	—	35,278	1840	775	32,603
1830	1,208	42,835	1841	489	14,684
1831	636	62,790	1842	—	3,833
1832	519	64,876	1843	206	1,211
1833	592	50,145	1844	322	—
1834	353	41,528	1845	699	—
1835	496	32,467			

IV.—Statement showing the Total Amount of Gold and Silver Coins minted at Potosi up to the end of the last Century.

Gold.	Silver.
S/2,024,912	S/111,204,307

V.—Statement showing the Amount of Gold and Silver Coins minted at Potosi from 1825 to 1886.

Year.	Gold Dollars.	Silver Dollars.	Year.	Gold Dollars.	Silver Dollars.	Year.	Gold Dollars.	Silver Dollars.	Year.	Gold Dollars.	Silver Dollars.
1825	—	1,345,232	1841	163,336	2,314,006	1857	16,917	2,638,008	1873	—	1,332,703
1826	—	1,583,057	1842	179,928	2,422,236	1858	—	2,402,290	1874	—	403,240
1827	—	1,633,538	1843	134,912	2,128,391	1859	—	843,412	1875	—	707,000
1828	—	1,369,928	1844	75,888	2,015,545	1860	—	2,359,547	1876	—	970,879
1829	—	1,549,456	1845	53,584	1,919,902	1861	—	2,113,642	1877	—	1,309,170
1830	—	1,789,301	1846	84,064	1,407,587	1862	—	2,272,349	1878	—	1,471,500
1831	122,944	1,889,992	1847	55,624	1,902,869	1863	—	2,326,153	1879	—	2,040,131
1832	148,478	1,861,959	1848	—	2,037,161	1864	—	1,899,914	1880	—	2,107,500
1833	99,824	1,954,337	1849	11,720	1,618,344	1865	—	1,709,520	1881	—	1,897,000
1834	80,240	1,961,800	1850	—	2,055,896	1866	—	2,043,076	1882	—	1,933,500
1835	184,008	1,980,160	1851	*a* —	—	1867	—	2,192,762	1883	—	1,987,000
1836	82,824	1,947,316	1852	62,946	2,489,912	1868	—	2,609,731	1884	—	1,074,293
1837	185,912	2,070,083	1853	112,189	2,690,529	1869	—	1,912,911	1885	—	1,289,410
1838	84,456	2,057,501	1854	107,327	2,445,984	1870	—	1,162,835	1886	—	1,091,537
1839	91,256	2,464,755	1855	29,048	2,408,647	1871	—	1,734,411			
1840	230,384	2,600,507	1856	38,959	2,661,026	1872	—	2,302,692			

a. Books belonging to this year missing from Mint.

RUSSIA.

No. 59.

Introduction of Gold Currency into Russia.

Memorandum by Mr. Hohler, of Her Majesty's Embassy at St. Petersburg.

(Received through Foreign Office.)

Till within the two or three years commerce in Russia and transactions of all kinds were carried on in paper money. The silver rouble was the standard monetary unit, but, except for a fugitive coin here and there, it was never seen, but its place was taken by paper money, called "credit notes." These credit notes were State notes of every requisite number of roubles, from one upwards. Unlike English bank notes, they were not destroyed on entering the bank, but were, and still are, re-issued time after time. They bore on the front an inscription that they were exchangeable on presentation *for gold or silver*, and on the back was a further inscription stating: (1) that their payment in cash was guaranteed by all the resources of the State; (2) that they were to be current throughout the Empire *on a par with silver*; and, (3) a notice against forgery. These notes have never at any time up to the present moment lost their purchasing power in the country. They date, practically, from the year 1839, the time of the famous so-called Kankrin reform—unjustly so called, as Kankrin, the Minister of Finance, was personally opposed to the change; but the Emperor Nicholas sided with the Council of State, which was in its favour. At that epoch the paper (assignazi), current together with metal, had fallen to such a point that 7 roubles, paper, were only worth 2 roubles, metal, whether gold or silver. The reform consisted in: (1) recognising the fall in the paper; and, (2) opening the exchange of paper for cash at a fixed rate of 350 roubles, paper, for 100 silver. Further supplementary measures to this were: (1) the issue of State notes to which was given currency throughout the Empire on a par with silver (Manifest of July 1, 1841); and, (2) the change of the old assignazi for the new notes (Manifest of July 1, 1843). This edict further enacted that the silver rouble of the Russian mint was re-established, as before, as the standard coin for State payments. The weight, size, &c. of this coin had been fixed by a Manifest on June 20, 1810, and is in its essential parts the same as that of to-day.

Till as late as 1869 accounts were still calculated in assignazi in the more remote parts of the country.

Before proceeding any further it would seem advisable to state here, in a tabular form, the value which these credit notes have had as a medium of exchange, in comparison with our own currency.

Rate of Exchange of the Rouble *in Pence*, with the premise that the par value of the Gold Roubie (*i.e.* Imperial=10 Roubles) is 38 Pence.

Year.	Highest.	Lowest.	Remarks.
1841	$39\frac{7}{16}$	$38\frac{1}{4}$	
1842	$38\frac{9}{16}$	$37\frac{5}{16}$	
1843	$38\frac{1}{8}$	$37\frac{3}{16}$	
1844	$38\frac{7}{16}$	$37\frac{9}{16}$	
1845	$38\frac{1}{4}$	$37\frac{7}{8}$	
1846	40	$37\frac{1}{2}$	Maximum reached in end of year.
1847	$40\frac{9}{16}$	$37\frac{1}{4}$	Fall from beginning of year.
1848	$37\frac{5}{16}$	$34\frac{1}{2}$	Lowest in April and May.
1849	$37\frac{11}{16}$	$35\frac{5}{8}$	
1850	$38\frac{1}{2}$	$37\frac{9}{16}$	
1851	$38\frac{5}{16}$	$37\frac{5}{8}$	
1852	$39\frac{7}{16}$	$37\frac{1}{2}$	
1853	$39\frac{9}{16}$	$37\frac{7}{8}$	
1854	$38\frac{7}{8}$	$33\frac{3}{4}$	Maximum was in January and minimum in April, caused no doubt by the war. More fixed at end of year between 35 and 37.
1855	$37\frac{1}{4}$	$34\frac{11}{16}$	Minimum in November.
1856	$39\frac{3}{16}$	$35\frac{5}{16}$	Minimum at beginning of year.
1857	$38\frac{7}{16}$	$34\frac{1}{4}$	Fall at end of year.
1858	37	$34\frac{7}{8}$	
1859	$36\frac{9}{16}$	32	
1860	$36\frac{1}{4}$	$35\frac{1}{16}$	
1861	$35\frac{7}{16}$	$33\frac{1}{4}$	
1862	$35\frac{1}{2}$	$33\frac{1}{4}$	Recovery towards end of year. Time of attempted payments in gold under Stieglitz.
1863	$37\frac{7}{8}$	$33\frac{1}{3}$	Sudden fall in winter.
1864	35	$29\frac{7}{8}$	Steady fall throughout the year.
1865	$32\frac{3}{16}$	$31\frac{3}{16}$	
1866	$32\frac{5}{8}$	$25\frac{3}{4}$	Sudden drop about May and June.
1867	6 June $33\frac{9}{16}$	13 April 30	
1868	2 Jan. $33\frac{1}{4}$	5 July $32\frac{1}{4}$	
1869	10 Jan. $32\frac{15}{16}$	11 July $29\frac{1}{8}$	
1870	5 June $31\frac{11}{16}$	21 July $28\frac{1}{4}$	
1871	28 Sept. $33\frac{1}{8}$	5 Jan. $30\frac{5}{8}$	
1872	3 Oct. $33\frac{1}{4}$	18 Aug. $32\frac{9}{32}$	
1873	12 Jan. $32\frac{27}{32}$	26 June 32	
1674	9 April $33\frac{11}{16}$	4 Jan. $32\frac{21}{32}$	
1875	31 Jan. $33\frac{17}{32}$	30 Dec. $31\frac{7}{32}$	Gradual fall through year.
1876	14 Sept. $31\frac{11}{16}$	23 Nov. $28\frac{5}{16}$	
1877	1 Feb. $29\frac{31}{32}$	30 Sept. $22\frac{3}{8}$	Steady fall throughout year. Slightly better at close.
1878	24 Jan. $26\frac{1}{8}$	21 April $22\frac{1}{4}$	Ditto.
1879	28 Sept. $25\frac{7}{8}$	23 Jan. $22\frac{5}{8}$	Recovery towards end of year.
1880	5 Feb. $26\frac{1}{8}$	30 Sept. $23\frac{3}{4}$	
1881	28 Aug. $26\frac{1}{4}$	5 May $24\frac{1}{4}$	
1882	4 Jan. $25\frac{1}{8}$	7 Dec. $23\frac{7}{16}$	
1883	18 Feb. $24\frac{5}{16}$	1 Nov. $23\frac{5}{16}$	
1884	28 Dec. $25\frac{13}{32}$	13 Jan. $23\frac{9}{32}$	
1885	1 Feb. $25\frac{17}{32}$	2 April 23	
1886	25 Feb. $24\frac{9}{32}$	13 Jan. $23\frac{9}{32}$	Steady inclination downwards.
1887	2 Jan. $22\frac{13}{16}$	8 Dec. $20\frac{25}{32}$	Ditto. Average price of 1 rouble, gold, in rouble credit was 1·796.

From the year 1888 onwards the rate was expressed in the number of roubles purchasable for 10*l.*:—

80 roubles for 10*l.* = 2*s.* 6*d.* per rouble.
85·71 ,, ,, = 2*s.* 4*d.* ,,
92·31 roubles for 10*l.* = 2*s.* 2*d.* per rouble
100 ,, ,, = 2*s.* ,,
125 ,, ,, = 1*s.* 7¼*d.* ,,

Year.	Highest.	Lowest.	Average Price of 1 R. Gold in R. Credit.	Remarks.
1888	23 Sept. 91·85	16 Feb. 125·25	1·682	Very great fluctuations: 115 at beginning of year, 125 in February, low until May, then rises to 92 in September; at about 96 towards end of year.
1889	29 Dec. 89·75	2 June 98·90	1·518	Steady rise.
1890	4 Sept. 76·60	1 Feb. 92	1·378	Ditto, but fall towards end of year.
1891	18 April 82·50	5 Nov. 106	1·498	Very unsteady in last half-year. General decline.
1892	16 May 94	3 Jan. 102·25	1·586	Very unsteady.
1893	29 Dec. 93·05	2 Jan. 98·85	1·532	Through most of year steady at about 95 or 96.
1894	31 Aug. 92·05	15 Feb. 94	1·492	
1895	7 Oct. 92·60	12 Dec. 94	—	May 27, State Bank fixed price of half-imperial at 7·40 and subsequently at 7·50.
1896	2 Nov. 93·15	13 April 94·35	—	
1897	19 Aug. 93·35	15 Feb. 94·05	—	

It is seen from this table that the rouble "kreditni billet," which is at par at a value of 3*s.* 2*d.*, was in the year 1847 actually worth 3*s.* 4½*d.*, and that in the process of time it has fallen to a point where it is worth only about 2*s.* 1½*d.* or 2*s.* 2*d.*, and even went as low as 1*s.* 7*d.*; *i.e.*, it has lost, approximately, on an average a third of its value; or, in other words, 5 gold roubles are worth about 7½ paper.

As already stated, these paper notes have never, from the beginning, lost their purchasing power, and have been the sole medium of exchange *within* the country. Until the last year or two *coins* were never seen, except the token coins which formed the divisional part of the rouble.

It must not, however, be thought that no coins were struck. It will be sufficient for our purpose if we examine the coinage from the year 1871 on. From that date half-imperials were struck, the standard being, like that adopted in England—11 parts of gold to 1 of alloy. They contained almost exactly 6 grammes of fine gold, their weight being 6·544 grammes (916⅔ fine). They harmonised with no existing coinage, least of all with Russian, for their face value was 5 roubles while their nominal value was 5 roubles 15 kopeks, equivalent to 20·66 francs. In the Russian market they were quoted, according to the rate of exchange, at from 6 to 9 roubles, paper. Ducats were also struck containing 3 grammes and 60 centigrammes of gold, and were nominally worth 3 roubles.

These ducats and half-imperials never entered into circulation, but were immediately hoarded in the Bank of Russia or sent off to London, Paris, or elsewhere.

The number of coins struck on this model was 55,908,054 half-imperials and 468,058 ducats, in value 1,161,227,670 francs.

In 1885 the law of 17 (29) December established a new gold rouble worth almost exactly 4 francs (4·0002), which found expression in a new half-imperial of 5 roubles. The standard was altered from $\frac{11}{12}$ to $\frac{9}{10}$ of pure gold. The new coin contained 1 zolotnik and 34·68 doli of gold (or 5·806746 grammes), and its gross weight was 1 zolotnik and 49·2 doli (or 6·45192272554 grammes). Now a louis d'or (20-franc piece) contains 5·80644 grammes of gold and its gross weight is 6·4516 grammes. So that the half imperial contains ·000306 more grammes of gold than a louis; or, in other, words it is worth intrinsically 20·001014 francs or 15*s.* 10·323*d.* or 16·20082 marks.

Imperials (of 10 roubles) were also coined at this time, while ducats were abandoned. The new half imperial being thus so nearly identical with a louis was able to, and actually did, and does still, circulate abroad in countries of the Latin Union; but in Russia, they were merely used as articles of commerce except in the case of the payment of the Customs dues. They had nothing in common either practically or legally with the silver, *i.e.*, paper, rouble which was then the monetary unit of the Empire. Gold was not even a legal tender between private persons. The number of coins struck of this currency is variously given, but the following figures are given officially for the coinage from 1887 to 1895.

Year.	Gold Coins.		Silver Coins.	
	Imperials (in Roubles).	Half Imperials (in Roubles).	Of full Weight and Value (in Roubles and Kopeks).	Small Change Tokens (in Roubles and Kopeks).
1887	9,750,020	16,305,015	510,507	1,500,002
1888	225,060	26,285,035	500,022·25	1,007,011·50
1889	3,430,020	21,000,000	1,753·50	1,493,001
1890	150,060	28,000,030	91,760	2,000,003
1891	30,100	2,705,040	1,135,024	2,351,504
1892	80,060	640,030	2,133,010·50	1,650,000·30
1893	10,080	2,990,040	1,489,014	1,750,004
1894	10,070	2,990,035	3,007	400,000
1895	50,000,380	180	4,605,053·50	199,000·60

It might here be observed in parenthesis that payments, especially in certain districts, are frequently made in stocks or in coupons; and there is also an official table published of the Russian loans of which the bonds and coupons will be accepted as gold money, and the price at which they will be accepted, in payment of Customs and other dues.

The gold money thus coined was used only for the payment of coupons of loans which had been made on a gold basis, and for the payment of foreign creditors —the balance of trade, in fact—for whom, of course, the Russian paper money would have no value. There is one other purpose for which this gold was necessary. A law came into force on January 1, 1877, when, as will be seen in the first table above, the exchange was at about 29, by which it was enacted that all Customs duties were henceforth to be paid in gold. This was equivalent to raising the duties from 30 to 50 per cent. (according to the exchange of gold) all round; the merchants, however, had due warning, and much consideration was shown at first in the execution of this law. But it introduced an additional element of uncertainty into business, *i.e.*, the varying price that would have to be paid in notes for the gold with which to acquit the Customs; further, it increased the weight of the Customs dues in proportion as the note fell in value. The measure is especially important as being the first official recognition of the depreciation of the

rouble, which recognition has developed into its final form in the recent changes introduced into the Russian currency.

Internal loans were mostly raised on a paper basis.

The table of exchanges given above would appear sufficient to prove the extreme fluctuations to which the unit of Russian currency was liable. The paper rouble had already fallen almost 50 per cent. from its origina value, owing partly to the general decline of the credit of the country, partly to the large issues (400 millions) during the Turkish war, and partly to the autocratic constitution of the country, which induced a fear of sudden changes or of events following on the death of a monarch, as well as to various other causes. But what produced far more serious consequences to the merchant were the fluctuations.

Thus, on the bourse of Berlin we find the rouble quoted at the following extremes :—

Year.	100 R. Credit equals	
	Highest.	Lowest.
	Marks.	Marks.
1891	245·10	191·50
1892	216·40	197·00
1893	217·20	203·35

The average of the exchange value of 10*l.* sterling monthly during 1893 and 1894, was as follows :—

——	1893.	1894.
January	97·00	92·84
February	94·54	93·66
March	94·81	93·37
April	95·69	93·19
May	94·92	93·30
June	94·32	93·28
July	95·70	93·08
August	96·43	92·89
September	95·57	92·71
October	95·18	92·89
November	94·82	92·28
December	93·71	92·63

The increased steadiness and appreciation of the rouble in 1894 is due to the following facts: The Russian credit money had become the favourite object of speculation on the Berlin bourse. In 1893 the then Russian Minister of Finance, Mr. Wishnegradsky, realised the intolerable condition resulting from this and took drastic measures. All the speculators in Berlin continued to sell rouble notes many times more than had ever existed in Germany, and the Russian minister proceeded to set agents to work buying them up at the rate of 216 marks and over. This continued for eight months, when Mr. Wishnegradsky suddenly imposed a check on the export of notes from Russia, which previously had gone on on an enormous scale, and at the September settling in 1894, demands were presented to the speculators for the notes they had sold. They were compelled to throw themselves on the mercy of the minister whose terms, however, did not err on the side of leniency. This species of speculation had its origin in quite a genuine, honest, financial operation, for whenever a merchant had concluded a transaction, he was forced by the variations of the rouble to go and secure a sufficient number of them to meet his engagement at the time when it fell due.

But even such a lesson as the above would not be sufficient to stop all speculation entirely, and was ineffectual for preventing the injurious effect of fluctuations of the paper rouble, due to genuine courses. Owing to the above-mentioned purchases by the Russian agents, the rouble had not sunk during 1894 below 216·80 marks per 100 roubles; and to maintain it approximately at that price recourse was had to the following measures: The Government drew bills payable in three months on their various agents in foreign countries, fixing the rate of exchange at the rate of 46·27½ roubles for 100 marks. They then announced that the State bank was prepared to sell these bills at this rate, or to buy others at the same rate, and that they were obtainable at the "Chancellerie de Crédit" (office of Ministry of Finance) in St. Petersburg, and at the offices of the bank in a certain number of towns. In this manner a limit was fixed beyond which the market value of the rouble could not fall, although the Government in selling at that price may have had, at first at all events, to sustain a loss. This process is still going on, and the "Bourse News" has every-day an announcement on the outside sheet of the rate at which the Government sells or buys bills. Exchanges have also been established in some of the chief towns in which the State bank has a branch office, in order to preserve the level all over the country as far as possible. Moreover, all the local treasuries were turned into branches of the bank for this purpose, as well as to obviate the inconvenience of the large transmission of notes through the post, as it has been estimated that 20 per cent. of the notes in circulation are permanently in the post.

This measure may be artificial and regarded by some as going beyond the ordinary limits of State interference, but it at least had the effect of making the merchant sure of his position. An advantageous transaction was no longer liable to turn to his loss by the ups and downs of the rouble previous to the term of payment, nor was the price of his imports suddenly heightened or lowered by the variation of the amount he would have to pay for the gold to meet the Customs dues.

At the end of 1895 the State had thus been selling roubles on the Berlin bourse at the rate of 100 roubles for 216 marks, and a mark is always exchangeable for ·358423 grammes of gold; consequently, one rouble paper $= \frac{\cdot 358423 \times 216}{100}$ or ·77419368 grammes of gold, and a half-imperial contains by law, 5·8068 grammes. On comparing these values it is seen that a half-imperial is equivalent to a trifle over 7½ paper roubles. As the State had been operating exchanges on this basis in Berlin for the past two years, and that without occasioning a drain of gold, there appeared no reason why they should not do the same at home, and on December 12–24 1895, the State bank published a declaration stating that "jusqu'à nouvel ordre" they would give half-imperials for paper money, and *vice versâ* at the fixed rate of 5 rouble gold for 7½ paper. Few notes were presented for change.

On August 8, 1896, an Imperial decree appeared, ordering the State bank to buy and sell (receive or give in payment) paper roubles at that price until December 31, 1897, and from that date on until further orders. This payment of the notes in gold, fixed for a period of 16 months, was the beginning of the gold currency. It was found that this also did not cause a drain of gold; on the contrary, there was no demand for the metal, and in consequence we have the series of enactments beginning with that of January 3, 1897.

The acceptance of the gold in lieu of paper was not altogether a voluntary thing, nor is it to-day. Although the Government say that they give either gold or notes, they thus far have to endeavour to force as much as possible the gold issue, and are making considerable efforts at the present date with this aim. I am informed that when a merchant or banker sends to the State bank for say 10,000 roubles, his porter is given half in gold, which he will spend some hours in counting, and although he might unquestionably obtain notes for his gold by going to some other department the following day, business hours are short here and the counting takes long, so that the money would not be available till the day after, and thus three days' use of the money would have been lost.

There is an absolute and strong preference throughout the country for notes, to which the people have always been accustomed, over gold coins, which most of them have never in their lives seen before. It is also very easy to understand the dislike of taking the gold coins as they existed previous to January 3, 1897. The imperial, as already stated, was marked ten roubles and the half-imperial five roubles; the task of persuading an illiterate and fairly suspicious people that these objects were of the value of notes to the amount of 15 and 7½ roubles respectively might tax the powers of an Admirable Crichton.

These were the causes which provoked the Ukase of January 3, 1897. It is addressed to the Minister of Finance, and after summing up the reasons for the changes, it decrees: (1) that without making any modification in the quantity of pure gold, nor in the name, weight, or dimensions of the gold coins as they

have already been fixed by law, he shall have struck imperials and half-imperials, bearing, as indication of their value, the former 15 roubles and the latter 7 roubles 50 kopeks, in conformity with the description therewith given; (2) that he shall put the said gold coinage into circulation.

An Imperial order of the same date states that "with regard to engagements undertaken in gold "roubles, and to the payments to the Crown of the "customs duties and other taxes leviable in gold, the "imperial and half-imperial mentioned in the above "ukase shall be accepted, the former as 10 roubles "gold each and the latter as 5 roubles gold each." A description of the coin follows.

The next enactment is dated August 29th of the same year, and provides for the arrangement, on a new basis, of the gold reserve. It states that the Ukase of January 3rd has brought the nominal value of gold to meet the value at which its exchange for notes was fixed, and has strengthened the circulation of the latter, and given both to them and to the gold circulation a firm basis. But the previous laws as to the guarantee of the issues of paper do not correspond to the conditions established by that Ukase. Consequently, "paper money is issued under a guarantee of gold, "strictly limited by the urgent needs of the monetary "circulation. Up to 600 million roubles the paper must "be guaranteed by half its value in gold, and beyond "that sum it must be guaranteed rouble for rouble."

And, finally, we have on November 14th, 1897, two more Ukases.

The first decrees the coinage of gold pieces of the value of 5 roubles, equal, therefore, to one-third of an imperial. Then follows a complete description of the coin, its weight, dimensions, &c. (These pieces are popularly called "Lilliputs.")

The second, after summing up the reforms introduced by the Ukases of January 3rd and August 29th, by which the gold coins and the paper notes have been set on an uniform basis, and the guarantee of the notes established on a firm foundation, orders that henceforth the notes shall bear the following inscriptions in place of those they at present bear: "The State bank "pays credit notes in gold coin without limitation of "amount (one rouble $= \frac{1}{15}$ of an imperial and corre- "sponds to 17·424 doli of pure gold)."

The inscription on the back to run as follows:—

"1. The exchange of State credit notes for gold coin is guaranteed by all the resources of the State.

"2. State credit notes circulate throughout the Empire on a par with gold coin."

Paragraph 3 remains unaltered.

Thus the gold rouble, corresponding to 17424 doli, or ·774 grammes of gold, has become the monetary unit instead of the silver rouble which used to correspond to 26·136 doli or 1·161 grammes of gold.

These are the legislative acts by which the change was effected. The ratio of 7·50 to 5 was fixed on the average for about the last 25 years, and on what had been the actual relation between the gold and the credit rouble for three years past, and the rouble now equals 25·37 *d.* or 10*l.* = 94·6 roubles. In 1887 the question was before the Committee of Finance in the Council of State as to whether it would be better to endeavour to get the credit rouble back to par or to fix it at its actual exchange value. The Committee decided in favour of the latter proceeding, and their decision had the Emperor's approval; but during the reign of that monarch any change was deferred, owing to his conservative spirit. The Council at the same time also decided that the increasing need for a circulating medium, due, if to no other cause, at least to the increase in the population, rendered it impossible to withdraw the notes issued during the war; otherwise, such a measure would have gone far to enhance the rouble note, and bring it nearly to its par value.

The principle embodied in the stamping of the new gold coin as "15 roubles" instead of "10 roubles" is blamed by many as being an arrangement established on a depreciated currency: they maintain that though the silver rouble was the legal monetary unit of the country, yet the silver rouble was linked to the gold imperial in the proportion of 10 roubles to an imperial, and that when the silver rouble was replaced by the credit rouble the bond was none the less maintained, more especially as the note-money bore a statement that the note was exchangeable for either gold or silver; their deduction consequently is that each holder of 15 roubles paper has unjustly been deprived of five of these roubles.

This argument is in theory quite correct. Each holder of a 5 rouble note is entitled to receive for it 5 roubles' worth—1·161—grammes of gold each—and the present law accords them only ·774 grammes, but the rouble had never, from its very beginning, been a fixed quantity, and it is only necessary to look at the above list of exchanges to assure oneself that the possessors of the notes could hardly expect to see themselves paid in gold at par. And, whereas before it was quite uncertain to what point the rouble, from natural causes, might sink, the reform has placed it on an absolutely firm, and, as far as it would appear possible, equitable basis. The present Minister of Finance states with great truth that in making the reform it has been necessary to grapple with the actual facts, and not to lose oneself in theoretical considerations.

But, granted that the reform is wrong, what course would those who oppose it suggest to adopt?

There appear to be two alternatives: either to reimburse the 10-rouble note at 10 roubles gold, or, as the Russian Government might perfectly well have done, to resume a silver currency.

The amount of gold at present held by the Russian Government is sufficient to have enabled them to adopt the first of the alternatives, although they would have been hard pressed, despite their present enormous reserve, to maintain it; but the consequences would have been positively disastrous to trade. For instance, wheat is the chief produce of Russia, and the rouble would have suddenly made such a jump as would have put that article to an almost prohibitive price, and its export would have been almost entirely stopped; and it must be remembered that just as the decline of the paper rouble in foreign exchange was accompanied by no corresponding decline in its purchasing power in the country, so the purchasing power would not now increase in proportion to the rise in exchange value, the result being that the peasant would have about 50 per cent. less money for his exported produce than formerly, and would be to that extent poorer as far as his purchases inside the country were concerned.

Also those merchants with foreign connexions who were in possession of notes would suddenly find themselves at an advantage of 50 per cent., while those who were under engagements to deliver roubles would suffer a corresponding loss;—the most elaborate enactments could hardly meet such a case.

The Minister of Finance says with entire justice in his report on the Budget for 1896 that "by the reform "no one should become richer or poorer; the re-organ- "isation ought to have no other effect than to put "every reckoning, all property, all revenue, and all "salaries on a firm and stable foundation on which all "may rest without fear of shocks or apprehension of "accidents."

Further such a measure would have done away with the well-intentioned effect of the new customs tariff, firstly, by causing all home industries to work on the basis of the new enhanced rouble note, and secondly, by putting all transactions on the gold standard on which at present only the customs dues are paid.

It is urged that the Russian Government might have waited until such time as the note had rehabilitated itself at par, which in time it might well do, especially in view of its recovery during the last few years. This is perhaps true, but the first of the above-mentioned objections would hold good, although the effect would have been spread over many years and thus be less felt. Besides, the need for some reform was urgent, and the Russian Government cannot fairly be blamed for taking what steps they found practicable at once instead of deferring their action to some indefinite future period.

Before examining the second alternative, it is necessary to know precisely what the silver rouble is. It contains 17·996 grammes of pure silver, and before 1886 its full weight was 20·73 grammes, its fineness being consequently $\frac{868}{1000}$. In 1886 the full weight was reduced to 19·99 grammes while keeping the same amount of silver, the standard was thus made $\frac{900}{1000}$ (English standard is $\frac{925}{1000}$). In 1860 silver was worth about 60 pence an ounce, whereas it is now about 30. Consequently, by comparing the value of silver, the

rate of the rouble note, and the amount of silver in the rouble, the following statistics are obtained :—

Year.	Average price of silver per ounce in pence.	Exchange on London for 10*l.* in roubles.	Average price *in Credit Notes* of weight of silver contained in 100 R. calculated on basis of the two previous columns.	Average price *in Credit Notes* of 100 R. coined silver in Petersburg market.
1860	61·69	67·15	107·96	—
1880	52·21	95·73	132·62	136·73
1881	51·83	95·28	129·12	133·44
1882	51·72	99·21	133·73	136·58
1883	50·75	101·18	133·83	137·80
1884	50·63	98·46	129·92	133·78
1885	48·48	99·21	125·35	131·32
1886	45·34	102·74	121·41	126·51
1887	44·61	112·15	130·39	137·10
1888	42·71	107·49	119·65	127·68
1889	42·64	94·57	105·10	110·67
1890	47·71	85·82	106·71	109·08
1891	44·93	91·25	106·85	107·06
1892	39·58	99·07	102·20	110·82
1893	35·33	95·22	87·68	104·38
1894	28·80	93·02	69·82	—

Thus, in 1894 the amount of silver requisite for coining 100 roubles could be bought for 70 roubles credit.

If the Russian Government had been avaricious but unwise, they might have resumed a specie currency and have paid off their notes, which "circulate on a par with silver" in silver roubles; but in doing so, they would have depreciated their notes by a third of their value, lowered their credit, and so committed, in point of fact, a breach of faith, causing grave injustice and paralysing trade.

But so far from their acting thus, an Ukase was issued on January 8–20, 1893, forbidding the coinage of silver for individuals, and explaining that this was done, lest the silver should be set running concurrently with paper, and so cause a depreciation of the paper.

This limitation of the coinage of silver brings about a condition of things similar to that called the "limping system," which obtains in France and Germany.

Moreover, the wording of the new laws, as well as the inscription of the new notes, ordered by the Ukase of November 14th, 1897, does not leave to the bank even the theoretic faculty of paying the notes in silver. The silver rouble is no more the standard currency. There is, however, *no* law yet made as to the amount to which it is legal tender. When the reform was being discussed it was proposed to limit the amount to 50 roubles for any one payment. It is, however, received at par and in unlimited quantities at all public bureaux. Mr. Witte in his report on the Budget for 1898 says: "the next step in this direction will doubtless be the limiting of the coinage of silver, and of the amount for which it will be legal tender, while, of course, it will be accepted as heretofore by the Government treasuries to an unlimited amount."

The actual limited issue of silver is at present a sufficient safeguard against a double standard, as is indeed proved in the foregoing table by the price at which coined roubles were sold in the money market, but a limitation of the legal tender would help to check false coining, which appears at present to be pretty rife.

It is hoped that enough has now been said to explain the reasons that prompted the reform, the steps preparatory to its execution, the manner in which it was carried out, and the calculations on which the basis of the new currency was fixed.

In the report on the Budget for 1896 the Minister lays stress on the necessity for disregarding theories and reckoning solely with actual facts in such reforms, and says that by them no person should be made either richer or poorer, nor should any artificial modification be introduced, as the monetary system is the foundation of all calculations and of all the interests of property and labour.

If the result had been contrary to these principles, one could hardly fail to hear complaints, but no interests appear to have been injured except of those whose business it was to buy and sell gold, customs agents, &c., whose opportunities of profit have been minimised by the fixation of the rouble through the entry into the market of the Government.

The next point of interest is to see what amount of gold Russia possessed in order to enable her to carry out the reform. The following is the statement given in the Report on the Budget for 1898:—

———	Bank Notes issued. (*In new Roubles.*)	Gold in State Bank and Treasury.	Percentage of Gold to Notes.
End of 1896	1,121,300,000	1,206,000,000	107·5
End of 1897	999,000,000	1,315,000,000	131·6

The gradual increase of the amount of gold held is illustrated by the accompanying table of the notes issued and in circulation, and of the metallic resources of the Treasury and State Bank.

Year	In thousands of Credit Roubles.			In thousands of Gold Roubles.	In thousands of Credit Roubles.	In thousands of Gold Roubles.	In thousands of Credit Roubles.	In thousands of Gold Roubles.
	Total of authorised Issues.	In the State Bank.	Consequent Circulation in fact.	Total of Metallic Reserve of Bank.	Treasury Bonds.	Gold at disposal of Treasury.	Total of Debit.	Total of Credit.
1881	1,133,515	48,464	1,085,051	183,063	216,000	108,049	1,301,051	291,112
1882	1,133,515	105,401	1,028,114	179,215	216,170	56,418	1,244,284	235,633
1883	1,133,515	160,333	973,182	179,215	216,000	37,480	1,189,182	216,695
1884	1,103,515	144,236	959,279	194,188	274,700	30,145	1,233,979	224,333
1885	1,073,515	173,754	899,761	191,717	239,997	81,469	1,139,758	273,186
1886	1,046,433	139,768	906,665	235,475	265,000	75,648	1,171,665	311,123
1887	1,046,433	105,409	941,024	240,597	240,000	40,949	1,181,024	281,546
1888	1,046,295	75,114	971,181	237,119	240,000	36,634	1,211,181	273,753
1889	1,046,295	73,150	973,145	250,058	240,000	47,052	1,213,145	297,110
1890	1,046,295	117,869	928,426	278,325	222,000	94,061	1,150,426	372,386
1891	1,046,295	138,879	907,416	354,877	216,000	128,940	1,123,416	483,817
1892	1,121,295	66,490	1,054,805	401,732	216,000	93,454	1,270,805	495,186
1893	1,196,295	122,214	1,074,081	487,045	216,000	94,505	1,290,081	581,550
1894	1,196,300	124,400	1,071,900	389,351	216,000	209,224	1,287,900	598,575
1895	1,121,300	92,900	1,028,400	403,620	—	242,111	—	645,731
1896	1,121,300	66,100	1,055,200	—	—	—	—	—
1897	1,121,300	—	—	—	—	—	—	—
1898	999,000	69,173	—	—	—	—	—	—

The figures given vary occasionally. It is impossible to analyse accurately the means by which the gold gradually increased year by year, but the official statistics for the export and import of the precious metals are appended in conjunction—for the period from 1887 onward—with the figures given by the Imperial Mint of the output of gold from Russian mines.

Year.	In thousands of *Gold* Roubles.		
	Imports.	Exports.	Excess of Exports over Imports.
1871	6,345	16,861	10,516
1872	8,111	6,649	−1,462
1873	2,500	14,309	11,809
1874	6,552	17,054	10,502
1875	1,721	27,576	25,855
1876	1,488	101,845	100,357
1877	9,403	13,592	4,189
1878	10,249	6,806	−3,443
1879	7,388	5,322	−2,066
1880	7,046	25,876	18,830
1881	5,371	66,925	61,554
1882	4,489	68,136	63,647
1883	3,014	19,212	16,198
1884	2,412	3,034	622
1885	2,489	5,336	2,847
1886	2,401	14,293	11,892

For convenience of calculation the figures from 1887 on are given in pouds, coins being reckoned at 100 pouds = 90 pouds bar gold.

Year.	Exports.	Imports.	Excess of Exports over Imports or vice versâ.	Production of Russian Mines.	Augmentation of National Stock.
1887	1,195·7	138·6	1,057·1	1,845·7	788·6
1888	2,224·6	1,330·9	893·7	1,956·8	1,063·0
1889	1,242·6	191·4	1,051·2	2,128·6	1,077·4
1890	1,204·4	1,125·1	79·3	1,943·9	1,864·6
1891	43·9	5,149·5	−5,105·6	2,219·0	7,324·6
1892	16·5	7,431·0	−7,414·5	2,173·4	9,587·9
1893	12·2	939·5	−927·3	2,343·2	3,270·5
1894	2,672·0	7,769·9	−5,097·9	2,216·8	7,314·7
1895	14·4	1,649·2	−1,634·8	2,654·3	4,289·1
1896	15·0	6,050·2	−6,035·2	1,978·2	8,013·4
			Total		44,593·8

The figures of the output of gold vary in every list I have been able to find, and I have chosen those of the Imperial Mint as being most likely to be accurate.

It is interesting to see how that, whereas before the exports had almost uninterruptedly been in excess of the imports, in 1891 the balance swings completely round; 1891 was the year of the new customs tariff.

The last column is the result of the others, and may be termed the "increase of the national stock" as the figures represent all private transactions which would practically mean the balance of trade, and State transactions which would include exports for payments of coupons, &c., and imports derived, say, from loans; and they also include the gold output, which, as the mines are mostly private property, is not a clear gain of so much wealth to the Government. All gold produced in Russia is, on its issue from the mine, taken to one of the Government refineries, which gives a receipt for it; this receipt is, on presentation at St. Petersburg, met with a corresponding amount of money, subject to a tax varying from 3 to 15 per cent. according to the locality from which it comes.

It will be seen that since 1887 the increase of the national gold stock has reached a total of 36,580·4 pouds by 1895, which reckoning a pound at 21,150 roubles of the new stamp (or 14,104 roubles of the old) gives a total of 773,675,460 roubles.

The increase, however, of the reserve at the disposal of the treasury and the bank during the same period will be seen to have reached only 546,277,500 roubles (new). Gold was not in circulation during this time, and the State was the great holder of the metal. 225,000,000 roubles seems under the circumstances to be a large sum to have been absorbed in the country under the circumstances in so short a space as ten years.

But if we reckon in the year 1896, the same figures come respectively to 943,158,870 roubles and 933,681,000 roubles, so that the amount belonging to the treasury and the bank almost catches up the amount of the increase of the national stock. It is possible that the figures given in the case of the latter are inaccurate.

In the report on the Budget for 1897, in enumerating the steps taken to ensure the success of the reform, the first of these measures is thus described:—"Il a été conclu un emprunt 3 pour cent. or, dont le "produit, porté à 100 millions de roubles or effectifs "par un prélèvement sur la disponibilité du Trésor, est "destiné à rembourser à la Banque de Russie une "partie de la dette non productive d'intérêt du Trésor "du chef de l'émission de billets de crédit." A footnote adds that the rate of interest on this loan is lighter than that on any other Russian loan.

One of the chief sources from which the Government has been supplied with gold is the customs, which have had to be paid in that metal since 1877, but the figures here below must not be considered as clear gain of gold to the State, as the State first sold the gold to the merchant, who then returned it in payment of his customs duties.

Yield of Customs Duties in Gold Roubles.

1882	64,322,457
1883	66,640,887
1884	65,076,698
1885	64,441,686
1886	70,775,550
1887	64,170,467
1888	69,947,422
1889	80,298,459
1890	82,727,594
1891	79,567,858
1892	82,709,275
1893	97,175,007
1894	114,324,919
1895	113,088,222
1896	125,613,783

The sudden increase in the last few years is due to the new high tariff which came into force in 1891, and this has a far more important bearing than the mere increase of the dues.

The effect of the new tariff is to put a very heavy burden on imports into the country so that the quantity of imports tends to diminish, and the amount of gold previously sent out of the country in payment for the articles imported tends to diminish likewise. The tariff is thus one of the most important checks to a drainage of the gold, and it is alleged that this consideration was entertained by the Russian Government at the time when the tariff was under revision.

A result of the tariff has, as is well known, been that the rails for the Siberian Railway, for instance, are paid for to home manufacturers at a price three times exceeding that for which they might have been procured abroad. It seems that there is an extremely large and increasing demand and even a keenly-felt need in Russia for iron and machinery. At present foreign iron and steel, worked, and iron machinery pays a duty of one rouble and 40 kopecks, gold, per poud. It is apprehended that, if this were reduced, the country would be flooded with foreign machinery for which the people would of course have to pay in gold, and it is believed that this demand would assume such proportions as to threaten the parity of paper with gold, and, that once unsettled, it would be hard to say where the fall might stop. This argument is a weapon in the hands of the home manufacturers to oppose the diminution of the customs.

It seems quite possible however that the present enormous reserve could withstand such a drain until the imported machinery had had its results in the increased production of articles suitable for export.

It has been the policy of the Russian Government at the same time that they instituted the high tariff to encourage the export trade by granting various facilities such as lowering the railway rates, &c., &c., although more might with advantage have been done in this direction.

However, as a matter of fact, the above steps have been sufficient to turn, at least for the present, the balance of trade in favour of Russia.

As far as this aim had weight in the decision of the new tariff, so far the new circulation may be said to have had its share in laying on the people the high prices which they now have to pay for manufactured goods—for the prices of home industries have naturally risen just to the point where they can successfully compete with the imported article.

Mr. Witte himself says à propos of the tariff that "having entered upon a course of protection of home "industries, we ought to wait for some stable results of "this policy. Abrupt changes in the established con- "ditions of international barter would be exceedingly "pernicious and unjust: they would cause undeserved "loss to many investors in industrial undertakings, "and would draw capital away from established "branches of industry. *The interference in the com-* "*mercial and industrial operations thus caused would* "*unfavourably affect all monetary transactions, which* "*would create great difficulties in the preservation of the* "*monetary standard.*"

It is beyond the scope of this report to endeavour to ascertain precisely the sources from which the present large stock of gold was obtained.

If it was produced by the improved economic condition of the country, the circulation may be regarded as settled on a firm basis which only would be shaken by such severe shocks to commerce as a war or some other great national disaster. If, however, it is assumed that this gold, either wholly or in part, is the product of loans, then the state which, though poor, is already heavily burdened with debts, has undertaken further obligations, and has more interest to pay, for the enjoyment of a gold currency. It is possible that it may gain corresponding advantages, and that in future it may be able to issue new loans advantageously or to effect new conversions, on the strength of possessing a gold currency. The facilities for contracting engagements in gold will also, in the opinion of men of experience, tend to attract foreign capital to Russian enterprises, and these men maintain that the recent large influx of Belgian and French companies during the past year or two, is a proof of this argument. That the fixation of the rouble co-operated strongly to this end, there can be no doubt.

But, on the other hand, if this assumption is for the sake of argument admitted, then the gold stock has been raised artificially, and although with its help the Government is able to start payments in specie and to prevent the fluctuation of the rouble, and to secure the market against an adverse exchange, yet in time the payment of the coupons of the loans, which has to be effected in gold, will inevitably end by drawing from the country the gold which has been amassed with so much care and at the cost of such sacrifices.

Which of these alternatives is the case, is a question that can only be decided by those who have a thorough acquaintance with Russian finance; none can have this so well as the projectors of the reform, and they at least have shown their confidence that the advantages to be derived will outweigh any drawbacks that may be incurred.

The following are the figures showing the circulation for 1864 and 1881.

In Millions of Roubles (Gold), (Old Stamp).

	Bank Reserve.	Amount in Actual Circulation.					Population.
		Notes.	Gold.	Silver.	Fractional.	Total.	
1864 - - -	55·7	636·5	—	20 ?	30*	686·5	78,400,000
1881 - - -	171·5	1,085·0	—	20 ?	75*	1,180·0	96,200,000

The figures given in various official publications vary considerably, but the following are those given in the Report for 1898.

In Millions of Roubles (New Stamp).

	Gold.		Standard Silver.		Notes.		Total.
	In State Bank and Treasury.	In Circulation.	In State Bank and Treasury.	In Circulation.	In State Bank and Treasury.	In Circulation.	
End of 1896 - -	1,206	37·5	73	50	139·7	981·6	—
Total - -	1,243·5		123		1,121·3		2,487·8
End of 1897 - -	1,315	155	63	99	69	930	—
Total - -	1,470		162		999		2,631

Population, 125,000,000.

The notes circulating in these years were divided thus:—

Year.	100 Rouble Notes.	50 Rouble Notes.	25 Rouble Notes.	10 Rouble Notes.	5 Rouble Notes.	3 Rouble Notes.	1 Rouble Notes.	Total.
1864 - -	62·7	86·5	141·3	84·5	96·2	108·6	56·7	636·5
1881 - -	376·8	0·7	198·4	147·4	154·5	147·4	108·3	1,133·5
1896 - -	429·8	0·1	67·8	204·3	185·8	129·3	104·2	1,121·3

* Very doubtful figures.

The Ministry have stated that the small notes will be withdrawn from circulation gradually, and the present supply of silver, which amounts to 240 million roubles, will be sufficient to replace the notes of 1 and 3 roubles. It is calculated that 2 roubles 50 kopeks or 3 roubles small money per head of the population is sufficient; this would mean some 320 or 380 million roubles.

It is, of course, quite probable that the currency now successfully established would not be able to stand the strain of war. Russia would require all her enormous stock, and more, to purchase warlike stores, &c., as well as for the payment of her armies when once on foreign soil, though able to pay in notes for necessaries coming from home. But it is not probable that any country, except perhaps England, would attempt to carry on a serious war without immediately establishing a forced currency. If the war was not long, or terminated in success, Russia would not have any invincible difficulty to meet in paying off again in gold the new engagements and to resume a metallic currency.

As regards the emission into circulation of coin, many people are asking why the Government is taking such pains to issue it. They argue that, as far as external commerce is concerned, a fixed basis of exchange is all that is necessary, and that is now provided by the fixed rate; while, for all internal purposes, the note did perfectly well, and had the extra advantage of convenience and of being preferred among the people; that the fact of a certain amount of gold being in circulation is no real guarantee for the future, as, in the event of a war or any great public calamity, more notes would certainly be issued as a non-interest-bearing form of loan, and there would be great demand for gold, not only by individuals, but also by the State, and the very fact of that gold being in circulation would tend to depress, in comparison, the notes; and, finally, that the issue of gold has weakened the Government's resources by just the amount they have circulated.

The Minister of Finance, however, states that he "considers it very important that specie should be "practically in circulation. If this does not take "place, and if almost all the gold is concentrated in "the bank and the Treasury, then, should the time "come when specie flows out of the country, only the "bank and the Treasury would feel this practically. "The population which has satisfied its requirements "with the notes it has been used to, will scarcely be "quick at paying attention to the change in the "condition in monetary affairs, and, as has been found "by experience, will look with distrust and even with "hostility on the extra carefulness in bill-discounting "and money-lending which becomes necessary under "such circumstances. On the contrary, if gold coin "forms an essential part of the currency, the flow of "gold out of the country is not only from the safes of "the bank, but from the specie in circulation. The "scarcity of money is first of all felt by the population "itself; it takes its own measures against this, of "necessity trying to retrench its expenses or to increase "the productiveness of labour, and thus takes the first "step towards restoring the equilibrium of the "monetary balance. This essentially lightens the "task of the Government in preserving order in the "monetary affairs of the country."

Such are Mr. Witte's arguments; the measure certainly could hardly be termed "introducing a gold currency" if the gold remained exclusively in the bank; the scheme would not be fully realised under such conditions. The Government is perfectly well able to hold the market under ordinary conditions, and, though a serious crisis in any part of Europe might occasion such a demand for gold that the Russian Government could not, by the means it at present adopts, check the export of the metal, it could always in such a case revert to some extraordinary measure, such, for instance, as merely a prohibition of the export of gold.

There is, at present, no such prohibition, nor does there, indeed, seem to be need of one so long as the Government is ready *to buy or sell gold* at a certain rate—which rate varies every day—to meet the market. Thus, for instance, supposing gold to become dearer abroad than in St. Petersburg, the rate would be raised here in proportion, so that an individual would do better to sell to the Government here whatever gold he might buy in the market rather than to send it to the place where the rise in value had occurred, thus saving the expense and risk of transport.

This operation protects the gold already in circulation, and is one which the Government can perfectly well continue to carry out so long as it has anything approaching its present store of gold; and the knowledge that it is able to do so is enough to hinder people from trying speculative experiments. It is by these means that the Russian Government ensures itself against an adverse turn in the foreign exchanges, and secures the gold from demands for export; no general apprehension consequently is as yet expressed of a drain of the gold.

In former times when there was also no prohibition of the gold export, if an attempt was made to draw gold from the bank in large quantities for exportation, measures of various kinds were taken which caused the would-be exporter to understand that his proceedings were obnoxious, and to desist from repeating the attempt.

In the press, the French system of paying out a certain amount of silver together with the gold, has been much advocated, but the Russian Government had adopted a gold standard, and was unwilling to swerve from it in any degree.

The bank and the Treasury here represent, really, the same identity—the State. They are, in fact, merely departments of the Ministry of Finance. But it is the bank which is charged with the issue of notes, and with the payment of the same in coin (*vide* the Ukase of November 14, 1897), and therefore the bank ought at present to hold 699 millions in gold as reserve for the 999 millions of notes in circulation, in conformity with the Ukase of August 29, 1897. This leaves about 600 million roubles for the other needs of the bank and the Treasury, or to be a reserve in case of war, and this amount is increased, theoretically, by every rouble note that is destroyed.

However, the figures given above represent the amount of gold not only in the bank, but also in the Treasury. The bank indeed itself does not hold much; in accordance with the article which states that the notes are "guaranteed by all the resources of the State," the gold in the Treasury is counted as part of this guarantee.

The following are the balance sheets of the bank for December 23, 1897, to January 4, 1898, and March 1–13, 1898.

From these it follows that 59 millions of notes have been withdrawn, and while the coin in the bank has decreased by 6,661,786 roubles, the amounts in the branch offices and in the local treasuries have increased by 46,166,000 roubles and 10,536,000 roubles, the net result being an increase of 50,040,214 roubles.

BILAN DE LA BANQUE DE

ACTIF.

	A St-Pétersbourg.	Aux autres comptoirs et succurs (1).	Aux Trésoreries (1)	Total.
1° Caisse:				
a. Billets de crédit	22,069,057 —	15,810,000	31,294,000	69,173,057 —
b. Or	77,577,815 —	64,889,000	19,613,000	162,079,815 —
c. Argent de plein poids et titre	1,294,322 —	14,294,000	7,930,000	23,518,322 —
d. Billon d'argent et de cuivre	241,284 03⅓	5,853,000	8,292,000	14,386,284 03⅓
Total	101,182,478 03½	100,846,000	67,129,000	269,157,478 03½
2° Découvert du Trésor du chef des émissions de billets de crédit.	175,000,000 —	—	—	175,000,000 —
3° Or en monnaie russe d'ancienne frappe, monnaie étrangère, lingots et bons de l'administration des mines.	985,347,812 27¼	2,884,000	—	998,231,812 27¼
4° Or monnayé servant de garantie au paiement des quittances métalliques en circulation.	64,872 75	—	—	64,872 75
5° Or à l'étranger (2)	18,896,368 64¼	—	—	18,896,368 64¼
6° Traites et chèques sur l'étranger appartenant à la Banque.	297,780 52	—	—	297,780 52
7° Effets escomptés et autres valeurs à brève échéance.	15,779,889 86	131,702,000	—	147,481,889 86
8° Avances en comptes-courants spéciaux sur effets de commerce.	1,761,141 29	3,206,000	—	4,967,141 29
9° Avances en comptes-courants spéciaux sur titres.	11,548,630 67	15,801,000	—	27,349,630 67
10° Prêts sur titres	6,885,368 90	27,111,000	—	33,996,368 90
11° Prêts sur marchandises	58,460 25	22,199,000	—	22,257,460 25
12° Prêts sur warrants, connaissements, &c.	—	565,000	—	565,000 —
13° Prêts à des propriétaires fonciers	818,046 70	13,952,000	—	14,770,046 70
14° Prêts à des entrepr. industrielles	6,175,226 38	4,434,000	—	10,609,226 38
15° Prêts à des artisans (industrie domestique)	531 50	651,000	—	651,531 50
16° Prêts destinés à faciliter l'acquisition de matériel agricole.	—	1,782,000	—	1,782,000 —
17° Compte des avances à des intermédiaires	6,316 03	70,000	—	76,316 03
18° Prêts à des municipalités et à des assemblées provinciales (zemstvos).	—	50,000	—	50,000 —
19° Sommes dues par les Monts-de-Piété de St-Pétersbourg et de Moscou.	2,803,000 —	929,000	—	3,732,000 —
20° Effets en souffrance	3,720 30	1,254,000	—	1,257,720 30
21° Prêts en souffrance sur immeubles	262,984 39	2,840,000	—	3,102,984 39
22° Titres appartenant à la Banque	8,438,071 08	15,774,000	1,063,000	25,275,071 08
23° Titres en commission	41,954 47	—	—	41,954 47
24° Soldes créditeurs des comptes avec la Banque de la Noblesse et celle des Paysans, ainsi qu'avec d'autres institutions de l'Etat.	6,096,530 —	1,780,000	—	7,876,530 —
25° Dépenses de la Banque et divers	11,636,354 28	7,160.000	—	18,796,354 28
26° Compte de la Banque avec des comptoirs et des succursales.	126,137,078 51¼	—	—	126,137,078 51¼
27° Compte des Trésoreries avec des comptoirs et des succursales.	—	—	65,845,000	65,845,000 —
	1,479,242,616 83¼	354,990,000	134,037,000	1,968,269,616 83¼

De plus dépôts en garde :

a. Appartenant à des particuliers et à des institutions privées :

Or et argent, d'après l'évaluation des déposants - - - - 5,776,772 r. 40 c.

Titres et documents - - - - - - - 2,702,642,248 r. 04½ c.

b. Valeurs publiques au prix nominal en commission - - - - 2,383,469 r. 60 c.

(1) Suivant renseignements télégraphiques en milliers de roubles.

(2) Cet article comprend l'or à l'étranger appartenant seulement à la Banque de l'Etat; l'or à l'étranger appartenant au Trésor impérial ne figure pas dans le bilan.

L'ETAT AU 23 DÉCEMBRE 1897.

PASSIF.

	A St-Pétersbourg.	Aux autres comptoirs et succurs (1).	Aux Trésoreries (1).	TOTAL.
1° Billets de crédit en circulation	999,000,000 —	—	—	999,000,000 —
2° Quittances métalliques en circulation	64,872 75	—	—	64,872 75
3° Traites tirées sur l'étranger par la Banque	2,939,758 56	—	—	2,939,758 56
4° Capital de fondation	50,000,000 —	—	—	50,000,000 —
5° Capital de réserve	3,000,000 —	—	—	3,000,000 —
6° Capital destiné à construire des hôtels pour les succursales.	331,872 18½	—	—	331,872 18½
7° Dépôts à terme	3,167,841 76	26,396,000	—	29,563,841 76
8° Dépôts à vue	8,065,948 37	53,626,000	—	61,691,948 37
9° Comptes-courants :				
a. Du Trésor	266,434,676 42	—	—	266,434,676 42
b. De sommes spéciales et de dépôts	—	—	134,037,000	134,037,000 —
c. De diverses institutions de l'Etat et administrations publiques.	80,244,497 35½	7,601,000	—	87,845,497 35½
d. De particuliers, d'établissements de crédit et de Sociétés par actions.	18,115,356 09½	43,523,000	—	61,638,356 09½
10° Compte de la section pour le règlement des comptes entre les Sociétés de chemins de fer.	16,280,582 70	—	—	16,280,582 70
11° Mandats à acquitter	1,178,367 96½	6,212,000	—	7,390,367 96½
12° Intérêts perçus reportés à l'exercice 1897	3,579,339 21¾	17,163,000	—	20,742,339 21¾
13° Intérêts dus sur les dépôts, sommes transitoires et divers.	8,578,333 83	5,714,000	—	14,292,333 83
14° Bénéfices nets de l'exercice 1896	9,174,529 21	—	—	9,174,529 21
15° Compte des comptoirs et des succursales avec la Banque.	—	142,518,000	—	142,518,000 —
16° Compte des comptoirs et des succursales avec des Trésoreries.	9,086,640 41½	52,237,000	—	61,323,640 41½
	1,479,242,616 83¼	354,990,000	134,037,000	1,968,269,616 83¼

Le gouverneur de la Banque de l'Etat : ED. PLESKÉ.

Le chef de la Comptabilité Centrale : E. SLANSKY.

BILAN DE LA BANQUE DE

ACTIF.

	A St-Pétersbourg.	Aux autres comptoirs et succurs (1).	Aux Trésoreries (1).	Total.
1° Caisse:				
a. Billets de crédit	26,712,449 —	22,137,000	31,966,000	80,815,449 —
b. Or	66,998,295 —	103,152,000	25,783,000	195,933,295 —
c. Argent de plein poids et titre	499,642 —	15,297,000	10,398,000	26,194,642 —
d. Billon d'argent et de cuivre	310,306 94½	6,426,000	9,518,000	16,254,306 94½
Total	94,520,692 94½	147,012,000	77,665,000	319,197,692 94½
2° Découvert du Trésor du chef des émissions de billets de crédit.	175,000,000 —	—	—	175,000,000 —
3° Or en monnaie russe d'anciennes frappes, monnaie étrangère, lingots et bons de l'administration des mines.	938,493,854 30	2,799,000	—	941,292,854 30
4° Or à l'étranger (2)	17,151,241 17¼	—	—	17,151,241 17¼
5° Traites et chèques sur l'étranger appartenant à la Banque.	68,996 74	—	—	68,996 74
6° Effets escomptés et autres valeurs à brève échéance.	13,595,234 12	127,462,000	—	141,057,234 12
7° Avances en comptes-courants spéciaux sur effets de commerce.	60,000 —	1,226,000	—	1,286,000 —
8° Avances en comptes-courants spéciaux sur titres	4,152,275 93½	13,207,000	—	17,359,275 93½
9° Prêts sur titres	5,949,153 24	24,041,000	—	29,990,153 24
10° Prêts sur marchandises	50,221 76	21,528,000	—	21,578,221 76
11° Prêts sur warrants, connaissements, etc.	—	645,000	—	645,000 —
12° Prêts à des propriétaires fonciers	628,329 79	13,036,000	—	13,664,329 79
13° Prêts à des entrepr. industrielles	7,567,574 26	4,750,000	—	12,317,574 26
14° Prêts à des artisans (industrie domestique)	531 50	607,000	—	607,531 50
15° Prêts destinés à faciliter l'acquisition de matériel agricole.	—	1,702,000	—	1,702,000 —
16° Compte des avances à des intermédiaires	5,883 69	75,000	—	80,883 69
17° Prêts à des municipalités et à des assemblées provinciales (zemstvos).	—	58,000	—	58,000 —
18° Sommes dues par les Monts-de-Piété de St-Pétersbourg et de Moscou.	2,658,000 —	977,000	—	3,635,000 —
19° Effets en souffrance	1,055 61	214,000	—	215,055 61
20° Prêts en souffrance sur immeubles	237,933 48	2,980,000	—	3,217,933 48
21° Titres appartenant à la Banque	9,218,036 38	18,077,000	5,442,000	32,737,036 38
22° Titres en commission	385,054 91	—	—	385,054 91
23° Soldes créditeurs des comptes avec la Banque de la Noblesse et celle des Paysans, ainsi qu'avec d'autres institutions de l'Etat.	6,264,753 96	1,850,000	—	8,114,753 96
24° Dépenses de la Banque et divers	3,585,646 05¾	3,246,000	—	6,831,646 05¾
25° Compte de la Banque avec des comptoirs et des succursales.	185,091,862 79¼	—	—	185,091,862 79¼
26° Compte des Trésoreries avec des comptoirs et des succursales.	—	—	41,221,000	41,221,000 —
	1,464,686,332 64¼	385,492,000	124,328,000	1,974,506,332 64¼

De plus dépôts en garde:

Appartenant à des particuliers et à des institutions privées:

Or et argent, d'aprés l'évaluation des déposants - - - - - 5,311,866 r. 40 c.

Titres et documents - - - - - - - - 2,696,673,993 r. 19 c.

(1) Suivant renseignements télégraphiques en milliers de roubles.

(2) Cet article comprend l'or à l'étranger appartenant seulement à la Banque de l'Etat; l'or à l'étranger appartenant au Trésor impérial ne figure pas dans le bilan.

L'ETAT AU 1er MARS 1898.

PASSIF.

	A St-Pétersbourg.	Aux autres comptoirs et succurs (1).	Aux Trésoreries (1).	Total.
1° Billets de crédit en circulation	940,000,000 —	—	—	940,000,000 —
2° Quittances métalliques en circulation	18,830 25	—	—	18,830 25
3° Traites tirées sur l'étranger par la Banque	1,548,303 48	—	—	1,548,303 48
4° Capital de fondation	50,000,000 —	—	—	50,000,000 —
5° Capital de réserve	3,000,000 —	—	—	3,000,000 —
6° Capital destiné à construire des hôtels pour les succursales.	267,356 58⅓	—	—	267,356 58⅓
7° Dépôts à terme	3,111,041 76	25,889,000	—	29,000,041 76
8° Dépôts à vue	10,427,032 71¼	58,922,000	—	69,349,032 71¼
9° *Comptes-courants* :				
a. Du Trésor	307,625,931 15	—	—	307,625,931 15
b. De sommes spéciales et de dépôts	—	—	124,328,000	124,328,000 —
c. De diverses institutions de l'Etat et administrations publiques.	87,878,049 55⅓	7,498,000	—	95,376,049 55⅓
d. De particuliers, d'établissements de crédit et de Sociétés par actions.	18,185,735 75¼	60,561,000	—	78,746,735 75¼
10° Compte de la section pour le règlement des comptes entre les Sociétés de chemins de fer.	21,373,425 67¼	—	—	21,373,425 67¼
11° Mandats à acquitter	1,223,916 77	6,446,000	—	7,669,916 77
12° Intérêts perçus reportés à l'exercice 1898	523,278 01¼	4,103,000	—	4,626,278 01¼
13° Intérêts dus sur les dépôts, sommes transitoires et divers.	9,589,057 04	6,212,000	—	15,801,057 04
14° Compte des comptoirs et des succursales avec la Banque.	—	196,074,000	—	196,074,000 —
15° Compte des comptoirs et des succursales avec des Trésoreries.	9,914,373 90¼	19,787,000	—	29,701,373 90¼
	1,464,686,332 64¼	385,492,000	124,328,000	1,974,506,332 64¼

Le gouverneur de la Banque de l'Etat : Ed. Pleské.

Le chef de la Comptabilité Centrale ; E. Slansky.

It must be remembered that in countries having a gold standard the amount of gold required for circulation is small in comparison with the other demands, under normal conditions. This is in great part due to the cheque system, which is almost entirely lacking in Russia, and great inconvenience is consequently felt, as heavy weights of cash have continually to be sent backwards and forwards. When once the Government have dispersed among the people as much gold as they think desirable, it seems likely that they may proceed to develop the cheque system, and thus at once lessen the amount of gold required for circulation and meet the public convenience.

A minor objection to the currency is that the half imperial, though equivalent to 20 francs, does not represent an *even* amount of Russian money (7 roubles 50 kopecks) or a multiple of five. At the discussion of the reforms it was proposed that a 10-rouble piece should be struck containing 7·742 grammes of gold, and that this should form the chief coin, but the proposal was rejected on the ground that it was necessary to adhere to the imperial in its old form, under the new denomination, that being sufficient change for the time.

The reform has lost to the Government one considerable source of profit, *i.e.*, gold is not subject like notes to destruction by fire or otherwise. On the other hand, the system of savings banks is not very widely developed here among the agricultural classes, and the hoarding of gold by the peasants will affect the Government quite differently to the hoarding of paper. The urban classes, however, deposit largely in the savings banks.

A notice has just appeared in the papers, both local and foreign, which is a corollary to the previous acts, stating that the interest on the internal loans (which were raised in credit roubles) will be paid to those that hold such stocks abroad at prices in any case not lower than 100 roubles = 266·67 francs = 216 marks = 10*l.* 11*s.* 5*d.*

St. Petersburg, April 6, 1898. T. B. Hohler.

April 12, 1898.

P.S.—Since writing the above, the intention announced by Mr. Witte in his Budget Report for this year, in regard to the silver coinage, has been carried into effect. An Imperial Ukase, under date of March 30 (April 11), is published in to-day's papers, which, after referring to the establishment of the rouble as equivalent to one-fifteenth of an imperial, and to the free exchange of notes for cash, in virtue of the Ukases of 1897, enacts the following, in order to give complete sequence to those Ukases and to the decree of July 16, 1893, forbidding the free coinage of silver for private persons.

I. The total of silver issued and in circulation, whether of full value coins (roubles, half roubles, and 25 kopek pieces) or of token money (20, 15, 10, and 5-kopek pieces), is not to exceed three times the number of the total population of the empire.

II. The maximum amount of legal tender of silver, which private persons are bound to accept, is fixed at 25 roubles. The local treasuries, however, and the public offices will receive it to any amount and for all payments, excepting for customs and other duties levied in gold, which must be paid in gold, unless the amount is less than five roubles (the smallest gold coin being of that denomination).

III. All calculations for all accounts, transactions, and business of whatever sort, are henceforth to be based on the rouble as the equivalent of one-fifteenth of an imperial.

T. B. H.

MISCELLANEOUS.

No. 60.

Memorandum by Professor Eduard Suess (Vienna) on the New Gold Discoveries.

(Received and read at a meeting of the Manchester Literary and Philosophical Society, April 5th, 1898.)

Referred to in Question No. 12,838.

Reference has lately been made in the Proceedings of the Society to my small book on "The Future of Gold," published in 1877, and a desire has been expressed to learn my opinion on the present situation. My opinion is that the succession of rich discoveries and the energy of mining operations accelerate the exhaustion of the resources in gold offered by nature to mankind, and at the same time hasten the approach of a universal economic danger.

When Germany, after the war of 1870, adopted the gold standard, the Government was supported by distinguished men, of well-deserved renown in economical affairs, but without the necessary deference to the geological side of the question. That is why, in 1877, I ventured to remind them that the production of silver would not be reduced in the ratio of the fall in its value, that the source of available gold would not be sufficient to provide a gold standard for the whole world, and that the epoch was inevitable, probably after a few centuries, when the production of gold must diminish steadily and in a high degree, and this metal, with increasing rarity, would no longer be able to retain its present economic position.

The evidence seems very clear. The Greek philosophers knew that gold was only found on the utmost frontiers of civilisation, and Humboldt emphasized the fact that all subsequent centuries have proved the truth of this observation. The same experience has occurred, since Humboldt's time, in Eastern Siberia, in the Rand, in Western Australia and on the Yukon, up to the present day. The rich discoveries have always been dependent on geographical expansion. Each such discovery has yielded gold to mankind through a certain time, according to the richness of the deposit and the energy of working, and has then ceased. Now, as the extent of unexplored country is limited, and the distribution of gold-bearing rocks within these districts is also limited, it must never be forgotten that the entire sum of gold still attainable by man is also a limited figure.

This constant displacement of mining operations forces them beyond the regions of congenial climate. The consequences are well shown in Mr. Goodrich's description of gold-mining on the Yukon, contained in Spurr's excellent Alaskan Report to the U. S. Geological Survey. Firstly, we must remember that all gold from the Yukon comes from placers, and consequently cannot be compared to the gold won at the Treadwell Mine, Alaska, which is mined under wholly different and exceptionally happy circumstances on Douglas Island, near the entrance to Lynn channel. The Cassiar district, near Dease Lake, British Columbia, is of the same type as the Yukon placers. This district gave 1,000,000 dollars in 1874, then receded gradually to 22,000 dollars in 1895, and is now exhausted. Cassiar has given experienced prospectors and miners to the Yukon district. But here, on the banks of the Yukon, frost reigns through eight months of the year.

The prolonged and intense cold is a serious impediment to placer work and only the richest deposits can pay. Gold of coarse grain is, by the high specific gravity of the metal, much easier to separate from the wash dirt than the fine gold particles of even a rich silt. Therefore, the prospectors push up to the higher parts of the creeks, where frost and snow are even more excessive, food is wanting, and every sort of transport becomes extremely difficult. In some places, the miners melt the frozen ground by fire, sink shafts, and throw out the pay-dirt for washing during the short summer. But, as the number of persons who endure all these hardships is small, only the richest places are worked, and every new and better find causes the desertion of the old place.

In 1886 Stewart River was abandoned when Forty Mile Creek was discovered, and in 1896 Forty Mile Creek was quitted for Klondike. The consequence is a very incomplete harvest. It is improbable that hydraulic arrangements in this severe climate will pay, and the establishment of quartz mining is likewise held improbable by authorities.

The production from the placers of all the Alaskan river valleys in 1896, together with the Yukon creeks on British territory, but without those on Cook's Inlet on the seaboard, was estimated by the Alaskan Mining

Record at 2,170,000 dollars, and by Mr. Goodrich at 1,700,000 dollars, showing how difficult it is to obtain trustworthy figures from districts of this kind.

In comparing the various fluctuations which the world's production of gold shows since the early ages, I, in 1877, thought myself entitled to suppose that these fluctuations would continue during the next few centuries until the time of final exhaustion. This supposition was erroneous. The facilitation of every sort of communication which has taken place during these 21 years, the immense expansion of the white race, the magazine rifle, the increased experience of the prospector, the fabulous credulity of the mass risking thousands after thousands in *l.* shares on enterprises with but the faintest spark of hope, and many other circumstances, combine to the effect that, *in place of the continued fluctuations*, presumed by me in 1877, *the whole production of the world now tends to unite into one great wave*, and, consequently, to hasten the end, and to increase the danger. It is a further consequence of this state of things, that the distance of this end may no longer be measurable by centuries.

But, along with this increase of the world's production, every sort of activity has increased all over the world, hundreds of new exigencies have arisen, and the question may be raised whether the production of gold and the new necessities have grown in a comparable manner during recent years.

Every figure in these matters can only be more or less rudely approximate. The figures of production, of export and import of gold, which I beg leave to cite below, are taken from the last excellent publication of the United States Director of the Mint, Mr. Preston. I am aware that in these figures the production of gold for the United States is given for the calendar year as for the rest of the world, and the figures of export and import are given for the United States fiscal year ending June 30th. This may displace a part of the figures, but cannot affect the general conclusion.

In 1887 the world's production had decreased to 21·8 millions sterling, and from that time the rise was constant, until in 1897 50 millions sterling was reached; the estimate for 1898 is 55 or 56 millions sterling.

Three-quarters of this sum is produced by four parts of the world: Australia, South Africa, Russia, and the United States. It is a very wide-spread delusion that these four countries really deliver up all their gold to the world's use. In reality, the case is very different.

Let us only consider the last four years, 1893–96, for which we possess the necessary figures.

The net export of gold from *Australia* during these four years teaches that one-half of the production (82 million dollars out of 167 million dollars) was retained for home purposes, and only one-half was exported.

South Africa, in the same time, retained about 31 per cent. of her production, and delivered up 69 per cent. (108 million dollars out of 158·2 million dollars).

Russia, during all these years, shows high figures of net import. We see that Russia retained all her own production, and continued to draw gold from other parts of the world.

The *United States* have, under the influence of economic changes, exported in some years a greater and in others a smaller part of their production; it has even happened that they have exported more gold than was produced. But since the middle of 1896 the current has wholly changed. Since that time they also have retained all their production, and drawn on the rest of the world.

If you will take the trouble to subtract the production of these four countries from the production of the world, and add their net export to the rest (always basing on Mr. Preston's figures), you may obtain the approximate sum of new gold really left to the disposal of the rest of the world during this time.

These figures are:—

1893, world's production 33·0 millions sterling reduced to 16·8 millions sterling.
1894, world's production 38·0 millions sterling reduced to 14·1 millions sterling.
1895, world's production 41·8 millions sterling reduced to 28·7 millions sterling.
1896, world's production 42·6 millions sterling reduced to *minus* 1·7 millions sterling.

This means a world's production of 38·7 millions sterling per annum, out of which only 14·5 millions sterling per annum were at the disposal of the world, excepting the four countries named. At the same time the variability of the reduced figures may be seen (one of them showing even a negative result), and the treacherous character of averages. But, although the production varies, the variability of demand is incomparably greater, having regard to quantity as well as to origin. It may be said that the bad harvest in Europe, and Russia's preparations for a gold currency, are claims of a temporary and passing character which give abnormal figures. But the demands are very often of a temporary character, and it is a justifiable requirement that the disposable quantity of gold should be adequate even to meet much stronger claims; let us not speak of war.

In 1897 the position was no better, and it is hard to assume that it will be much improved in 1898.

In *Australia* the export of agricultural produce is rather retrogade, English capital has also been withdrawn, and therefore Australia gives more gold; the export of gold to Europe has been strong in 1897 and is expected to be considerable in 1898 (say 11 to 13 millions sterling).

South Africa delivers up a great part of her increasing production, but part of the outcrop mines on the Rand have already closed up; the life of others is reckoned approximately to last four or five years longer. The life of the deep levels is estimated by mining authorities at about 25 years. Let us accept these figures. South Africa is now not only one of the very first producers, but also delivers up the greatest part of her gold, and let us ask, What after 25 years?

Russia has continued her gold policy, she has retained her own produce (6·5 millions sterling or more) and has continued to import foreign gold. Mr. Witte's last report says that in 1897, 10·9 million dollars have been added to the Government's gold treasure, besides very large sums of gold which entered into commerce.

The *United States* in 1897 likewise retained their own production (11 millions sterling), and continued to draw on the rest of the world. Their net export in trade in 1897 amounted to about 70 millions sterling. During recent years a certain amount of American railway securities seems to have returned homewards, thus narrowing one of the channels by which Europe received American gold.

Besides these variable contingencies, and besides the hoarding of gold treasure by Austria-Hungary and Japan, there appear a great number of exigencies which are not temporary but are constantly increasing. I first mention the consumption of gold in the arts and industries, which for the world (excepting the said four countries) is estimated at about nine millions sterling per annum. Then comes the increasing demand for circulation in the very few parts of Europe which possess a gold currency. Everybody feels the necessity of reinforced metallic reserves for banking institutions to face the quite incalculable quantity of paper values and the manifold kinds of liabilities. Let me call to your mind that the increase of business of the Deutsche Reichsbank in 1897 alone amounted to 500 millions sterling, that the demands for new capital at London were 49·1 millions sterling in 1893 and rose to 91·8, 104·7, 152·8 in the three succeeding years respectively, and in 1897 to 157·2. I do not add more figures, as we all live in the midst of the bee-hive ourselves.

The effect of all this is *that, although the world's production of gold is more than twice as great as it was ten years ago, still the struggle for gold is, to say the least, quite as sharp as it was then.*

But all this is only one side of this disastrous affair. Now come the consequences of the yearly increasing difference in the relative values of gold and silver. I do not intend to speak of the influence of this fact on prices, nor on different branches of industrial and agricultural activity, but I wish to say a few words on Asia.

India has from 1893 to 1896 produced 18·55 millions sterling of gold. Exports and imports of gold have been extremely variable; still India had a net import of 2·29 millions sterling for these years, so that the Indian production also was not delivered up to Europe. But this home production is of small account for the country. India, deeply and innocently injured by the all of silver, now hardly strong enough to bear the burden of her debts amounting already to about 18 millions sterling in gold per annum, loaded with new gold debts to pay old interest and with new experiments; the same India to which in 1892 an eminent Indian statesman thought to assure a gold circulation by means of merely 15 millions sterling, and which is now, six years later and after the great increase of the world's production, haunted by the spectre of a gold

standard without gold: this vast and rich empire, blessed by nature and sprinkled with the blood of so many of England's noblest children, is at this moment a deterring way-mark on the path which China is being forced to enter. Can any earnest man, casting his eye over the world's increasing traffic, and over this great and increasing gold monetary movement, which we are witnessing, I say, can anyone believe that this process may be called upon by a modern Joshua to stand still at 1*s.* 4*d.*? But is not this forced application of a foreign standard the resurrection of that colonial policy of past times, condemned by history and by civilisation? Does advanced Europe, proud of her Christianity, indeed think of subduing foreign nations by giving to each of their liabilities an ulcerating character? Do enlightened statesmen not perceive, *that in Asia*, that ocean of mankind, *no reasonable policy of whatever direction is compatible with a gold standard*?

These are the conditions under which we float towards a great monetary crisis. Yukon will not be the last of the rich discoveries. Some others probably are still reserved for the near future, be it on the north of the Kuenlun Range, or in Central Africa, in Siberia, or in any other distant part of the world. Other sources will decline, but, *in toto*, the world's production will for some time continue to increase. The necessities of mankind will also continue to increase, and probably even in a higher degree. Then the apex of the wave of production will be attained, the final decrease of gold will begin, but the necessities of mankind will continue to increase. Perhaps America will in the meantime decide upon the free coinage of silver, and, setting up a monetary barrier right across the traffic of the world, will defer the final crisis of gold. We cannot foresee the single events, but we can see the line of drift.

Germany has loosened the old tie of gold and silver, without anticipating the consequences. In the long run the profits have, without any merit, fallen to the bondholders, and the losses, without any fault, to the debtors. The holders of foreign securities in England are actually in the first line responsible to the world for the continuation of this state of monetary affairs, so perilous also for themselves.

I know well that personal interest is a very strong item, but national interest is a stronger item, and, when national interest speaks, personal interest must rest silent. But the interest of humanity is a stronger item still, and, even if national interest should eventually point another way, which I contend is not here the case for England, the common interest of humanity must prevail. A great nation, claiming to be a leading member of mankind, must feel this as a duty.

No. 61.

LETTER from Mr. ROBERT BARCLAY with reference to Questions 11,666 and 12,016.

Sedgley Hall, Prestwich,
Manchester,
April 25, 1899.

DEAR SIR HENRY,

I OBSERVE in Volume 2 of Minutes of the Evidence taken by the Currency Committee that Mr. O'Conor, in answer to 12,016, states that some newspaper or publication quoted a telegram purporting to be addressed by Mr. Forbes Mitchell, of Calcutta, to the President of the Indian National Congress, to the effect that "Mr. Barclay, Chairman of the Manchester "Chamber of Commerce, hopes the National Congress "will protest against a gold standard," and he stated further that this was an illustration of attempts made from England to excite dissatisfaction, though he admitted that a resolution of protest had been passed before receipt of such telegram.

I desire to give an unqualified contradiction to the suggestion put forward by Mr. O'Conor, or that I was concerned in this matter. As I mentioned when I informed the Committee (11,666) that I had received a telegram from the President of the Indian National Congress, I do not know that gentleman, and my correspondents in India have no connexion with the Congress—and to these facts I would add that I made no communication whatever to Mr. Forbes Mitchell upon the subject.

I feel it due to myself to address you on this matter, and, in order to prevent any misconception, I would ask that you will kindly allow this letter to appear in the Appendix.

I remain, &c.
ROBERT BARCLAY.

The Right Hon.
Sir H. H. Fowler, G.C.S.I., M.P.

No. 62.

LETTER from Sir W. WEDDERBURN, Bart., M.P., with reference to Questions 12,015–6.

Office of the British Committee,
Indian National Congress,
84, Palace Chambers,
Westminster, S.W.,
June 22, 1899.

SIR,

THE statements contained in Mr. J. E. O'Conor's replies to Questions Nos. 12,015 and 12,016 in the Evidence of the Indian Currency Committee, have excited much comment in India; and I have been requested by Mr. D. E. Wacha, Hon. Joint General Secretary of the Indian National Congress, to point out to your Committee that Mr. O'Conor is under a misapprehension as regards the origin of the Currency Resolution passed last Christmas by the Indian National Congress. Mr. O'Conor appears to be under the impression that this Resolution was prompted by a telegram sent by the Chairman of the Manchester Chamber of Commerce, expressing a hope that the Congress would protest against the gold standard. Had this telegram been received while the Congress was preparing or discussing the Resolution, the communication would, no doubt, have received the respectful attention due to so high an authority. But such was not the case. As a matter of fact the telegram did not reach the hands of the President of the Congress until some time after the speeches on the Currency question had been made, and the resolution carried.

But irrespective of the date on which the telegram reached the Congress, it is evident that Mr. O'Conor was ignorant of the procedure according to which resolutions are drafted for submission to the Congress. Before any resolution is submitted to the Congress the draft is circulated for approval to the different Congress circles in all parts of India. This is done about two months before the date of the Congress, and the opinions thus obtained are considered by the Subjects' Committee, and the draft is revised and, if necessary, amended before submission to the Congress. This was exactly what was done in the case of the Currency resolution. The topic had become inevitable owing to the proceedings of the London Currency Committee, and the whole subject had been freely discussed in the Indian community and the press months before the date of the Congress. Looking to these facts it is evident that Mr. O'Conor's suggestion, that the Congress Resolution was prompted by a telegram received from Manchester at the last moment, could not possibly have been true; and it is much to be regretted that a gentleman who holds the office of Director General of Statistics, and appeared as a witness on behalf of the Indian Government, should have permitted himself to make such a reflection upon an important representative body without first ascertaining the correctness of the facts upon which his inference was based.

Such being the case, Mr. Wacha is naturally anxious that the real circumstances should be known; and I shall esteem it a favour if you will communicate this letter to your committee with a view to its appearing as an appendix to the final proceedings of that body.

I have, &c.,
W. WEDDERBURN,
Chairman, British Committee,
Indian National Congress.

The Right Hon.
Sir H. H. Fowler, G.C.S.I., M.P.

APPENDIX II.

FINANCIAL AND STATISTICAL TABLES.

A. *Tables and Diagrams received from the India Office.*

1. EXPORTS of MERCHANDISE, GOLD, and SILVER, on PRIVATE and on GOVERNMENT ACCOUNT (so far as this is distinguished), 1850–51 to 1898–99.

2. IMPORTS for the same period.

3. NET TRADE on PRIVATE ACCOUNT for the same period.

4. IMPORTS of STORES on account of the GOVERNMENT, distinguishing Railway Materials from other Stores, 1872–73 to 1898–99.

5. NET IMPORTS of GOLD and SILVER, showing the Weight and Value, 1887–88 to 1898–99.

6. AVERAGE RATE of EXCHANGE for BILLS and TELEGRAPHIC TRANSFERS on India, 1850–51 to 1898–99.

7. NET AMOUNT of REGISTERED DEBT in INDIA, borrowed, paid-off, and enfaced for payment of Interest in London, 1850–51 to 1899—1900.

8. AMOUNT of CAPITAL PAID by Railway or Irrigation Companies into the Government Treasuries in India or raised by Railway Companies in India, 1850–51 to 1899–1900.

9. NET DISBURSEMENTS in ENGLAND from 1850–51 to 1898–99, inclusive, and the mode in which those disbursements were provided for.

9A. GOVERNMENT REMITTANCES from INDIA, RECEIPTS from IMPERIAL GOVERNMENT, &c.

9B. CAPITAL RAISED and WITHDRAWN in LONDON by Guaranteed Railway and Irrigation Companies.

9C. DEBT INCURRED in LONDON (excluding debt incurred for Purchase of Railways or Canals, or to pay off Debentures issued by Railway and Irrigation Companies); also CAPITAL OUTLAY IN ENGLAND on RAILWAYS and IRRIGATION WORKS for which no specific debt has been incurred in London.

10. INDIAN STERLING DEBT, 1878–99, showing Debt assumed to have been incurred for Railways and Irrigation Works.

11. Sterling payments, 1878–99, on account of INTEREST on DEBT and ANNUITIES created in PURCHASE of RAILWAYS.

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No. 1.

EXPORTS of MERCHANDISE, GOLD, and SILVER, on PRIVATE and on GOVERNMENT ACCOUNT (so far as this is distinguished), 1850–51 to 1898–99.

Year.	On Private Account.				On Government Account.				Total.			
	Merchandise.	Gold.	Silver.	Total.	Stores.	Gold.	Silver.	Total.	Merchandise.	Gold.	Silver.	Total.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1850–51	—	—	—	—	The transactions on account of the Government are not recorded separately before 1862–63, and but imperfectly before 1870–71.				18,164,150	2,016	539,273	18,705,439
1851–52	—	—	—	—					19,879,254	71,165	847,923	20,798,342
1852–53	—	—	—	—					20,464,633	168,805	885,203	21,518,641
1853–54	—	—	—	—					19,295,141	17,265	1,464,899	20,777,305
1854–55	—	—	—	—					18,927,223	151,431	1,115,537	20,194,191
1855–56	—	—	—	—					23,039,268	2,108	598,418	23,639,794
1856–57	—	—	—	—					25,338,453	84,788	1,164,448	26,587,689
1857–58	—	—	—	—					27,456,036	47,011	766,384	28,269,431
1858–59	—	—	—	—					29,862,871	10,886	651,350	30,525,107
1859–60	—	—	—	—					27,960,203	3,803	921,363	28,885,369
1860–61	—	—	—	—					32,970,605	9,872	1,106,627	34,087,104
1861–62	—	—	—	—					36,317,042	6,007	675,089	36,998,138
1862–63	47,854,760	33,410	—	—	4,885	—	—	—	47,859,645	33,410	1,077,244	48,970,299
1863–64	65,611,603	27,106	—	—	13,846	—	—	—	65,625,449	27,106	1,240,450	66,893,005
1864–65	68,013,442	35,068	—	—	13,574	—	—	—	68,027,016	35,068	1,409,522	69,471,606
1865–66	65,466,981	648,418	—	—	24,142	—	—	—	65,491,123	648,418	1,515,734	67,655,275
1866–67 (11 months)	41,859,994	739,144	1,211,291	43,810,429	—	—	481,068	481,068	41,859,994	739,144	1,692,359	44,291,497
1867–68	50,870,625	166,458	862,254	51,899,337	3,431	—	543,234	546,665	50,874,056	166,458	1,405,488	52,446,002
1868–69	53,062,165	17,624	758,458	53,838,247	—	—	619,498	619,498	53,062,165	17,624	1,377,956	54,457,745
1869–70	52,471,376	98,283	927,103	53,496,762	—	—	16,967	16,967	52,471,376	98,283	944,070	53,513,729
1870–71	55,331,825	500,453	1,086,727	56,919,005	4,361	—	633,585	637,946	55,336,186	500,453	1,720,312	57,556,951
1871–72	63,185,848	8,434	1,412,739	64,607,021	23,434	—	54,921	78,355	63,209,282	8,434	1,467,660	64,685,376
1872–73	55,236,295	79,009	1,194,970	56,510,274	14,468	—	24,100	38,568	55,250,763	79,009	1,219,070	56,548,842
1873–74	54,960,786	266,169	1,612,902	56,839,857	35,224	—	35,000	70,224	54,996,010	266,169	1,647,902	56,910,081
1874–75	56,312,261	215,701	1,377,020	57,904,982	46,979	—	32,588	79,567	56,359,240	215,701	1,409,608	57,984,549
1875–76	58,045,405	291,248	1,823,896	60,160,549	46,090	2	85,090	131,182	58,091,495	291,250	1,908,986	60,291,731
1876–77	60,961,632	1,236,362	2,706,218	64,904,212	52,259	—	87,318	139,577	61,013,891	1,236,362	2,793,536	65,043,789
1877–78	65,185,713	1,110,798	1,044,338	67,340,849	36,615	—	55,860	92,475	65,222,328	1,110,798	1,100,198	67,433,324
1878–79	60,893,611	2,359,223	1,536,322	64,789,156	43,902	—	86,683	130,585	60,937,513	2,359,223	1,623,005	64,919,741
1879–80	67,173,158	299,889	1,628,939	69,101,986	39,205	—	106,320	145,525	67,212,363	299,889	1,735,259	69,247,511
1880–81	74,531,282	16,859	1,392,544	75,940,685	49,320	—	31,038	80,358	74,580,602	16,859	1,423,582	76,021,043
1881–82	81,901,960	12,408	1,084,979	82,999,347	66,491	—	2,360	68,851	81,968,451	12,408	1,087,339	83,068,198
1882–83	83,400,865	164,264	816,595	84,381,724	84,258	—	61,200	145,458	83,485,123	164,264	877,795	84,527,182
1883–84	88,121,296	6,952	974,620	89,102,868	54,794	—	28,735	83,529	88,176,090	6,952	1,003,355	89,186,397
1884–85	83,200,528	106,236	1,781,094	85,087,858	54,764	—	83,300	138,064	83,255,292	106,236	1,864,394	85,225,922
1885–86	83,827,840	328,606	759,232	84,915,678	53,424	—	20,400	73,824	83,881,264	328,606	779,632	84,989,502
1886–87	88,428,660	656,493	1,028,018	90,113,171	41,457	—	36,005	77,462	88,470,117	656,493	1,064,023	90,190,633
1887–88	90,471,462	243,572	1,270,382	91,985,416	72,193	—	90,670	162,863	90,543,655	243,572	1,361,052	92,148,279
1888–89	96,978,171	305,154	1,398,343	98,681,668	71,361	—	80,850	152,211	97,049,532	305,154	1,479,193	98,833,879
1889–90	103,396,862	455,724	1,386,196	105,238,782	63,536	—	64,402	127,938	103,460,398	455,724	1,450,598	105,366,720
1890–91	100,135,722	864,660	1,207,246	102,207,628	91,626	—	51,272	142,898	100,227,348	864,660	1,258,518	102,350,526
1891–92	108,036,010	1,705,137	1,438,049	111,179,196	137,582	—	143,500	281,082	108,173,592	1,705,137	1,581,549	111,460,278
1892–93	106,535,997	4,594,472	2,334,522	113,464,991	59,478	—	29,930	89,408	106,595,475	4,594,472	2,364,452	113,554,399
1893–9	106,447,590	2,505,284	1,519,453	110,472,327	55,779	—	75,455	131,234	106,503,369	2,505,284	1,594,908	110,603,561
1894–95	108,814,999	6,730,374	1,427,643	116,973,016	98,779	—	68,055	166,834	108,913,778	6,730,374	1,495,698	117,139,850
1895–96	114,263,140	2,503,317	1,728,984	118,495,441	71,598	—	27,510	99,108	114,334,738	2,503,317	1,756,494	118,594,549
1896–97	103,914,297	2,200,141	2,725,749	108,840,187	69,799	—	11,606	81,405	103,984,096	2,200,141	2,737,355	108,921,592
1897–98	97,537,273	2,372,733	4,761,436	104,671,442	95,508	—	14,478	109,986	97,632,781	2,372,733	4,775,914	104,781,428
1898–99	112,722,929	2,336,646	5,071,535	120,131,110	78,252	—	3,240	81,492	112,801,181	2,336,646	5,074,775	120,212,602

No. 2.

IMPORTS of MERCHANDISE, GOLD, and SILVER, on PRIVATE and on GOVERNMENT ACCOUNT (so far as this is distinguished), 1850–51 to 1898–99.

Year.	On Private Account.				On Government Account.				Total.			
	Merchandise.	Gold.	Silver.	Total.	Stores.	Gold.	Silver.	Total.	Merchandise.	Gold.	Silver.	Total.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1850–51	—	—	—	—					11,558,789	1,155,310	2,656,498	15,370,597
1851–52	—	—	—	—					12,240,490	1,338,778	3,713,280	17,292,548
1852–53	—	—	—	—					10,070,862	1,341,106	5,490,227	16,902,195
1853–54	—	—	—	—					11,122,659	1,078,708	3,770,643	15,972,010
1854–55	—	—	—	—					12,742,670	882,721	1,145,137	14,770,528
1855–56	—	—	—	—	The transactions on account of the Government are not recorded separately before 1862–63, and but imperfectly before 1870–71.				13,943,494	2,508,353	8,792,793	25,244,640
1856–57	—	—	—	—					14,194,587	2,176,002	12,237,695	28,608,284
1857–58	—	—	—	—					15,277,629	2,830,084	12,985,332	31,093 045
1858–59	—	—	—	—					21,728,579	4,497,339	3,379,692	34,545,610
1859–60	—	—	—	—					24,265,140	4,288,037	12,068,926	40,622,103
1860–61	—	—	—	—					23,493,716	4,242,441	6,434,636	34,170,793
1861–62	—	—	—	—					22,320,432	5,190,432	9,761,545	37,272,409
1862–63	22,285,974	6,881,566	—	—	346,410	—	—	—	22,632,384	6,881,566	13,627,401	43,141.351
1863–64	26,607,700	8,925,412	—	—	537,890	—	—	—	27,145,590	8,925,412	14,037,169	50,108,171
1864–65	27,715,186	9,875,032	—	—	435,737	—	—	—	28,150,923	9,875,032	11,488,320	49,514,275
1865–66	29,105,150	6,372,894	—	—	494,078	—	—	—	29,599,228	6,372,894	20,184,407	56,156,529
1866–67 (11 mths.)	29,014,741	4,581,472	8,648,061	42,244,274	23,974	In these years the Government stores are, apparently, much understated.	7,372	—	29,038,715	4,581,472	8,655,433	42,275,620
1867–68	35,664,320	4,775,924	6,999,450	47,439,694	41,463		—	—	35,705,783	4,775,924	6,999,450	47,481,157
1868–69	35,931,374	5,176,976	9,189,612	50,297,962	58,768		789,366	848,134	35,990,142	5,176,976	9,978,978	51,146,096
1869–70	32,879,643	5,690,400	8,264,407	46,834,450	47,877		—	47,877	32,927,520	5,690,400	8,264,407	46,882,327
1870–71	33,348,246	2,782,574	2,662,249	38,793,069	1,120,873	—	—	1,120,873	34,469,119	2,782,574	2,662,249	39,913,942
1871–72	30,810,776	3,573,778	8,000,035	42,384,589	1,281,074	—	—	1,281,074	32,091,850	3,573,778	8,000,035	43,665,663
1872–73	30,473,069	2,622,371	1,934,214	35,029,654	1,401,556	—	—	1,401,556	31,874,625	2,622,371	1,934,214	36,431,210
1873–74	31,628,497	1,648,808	4,143,726	37,421,031	2,191,331	—	—	2,191,331	33,819,828	1,648,808	4,143,726	39,612,362
1874–75	34,645,262	2,089,236	6,051,811	42,786,309	1,576,851	—	—	1,576,851	36,222,113	2,089,236	6,051,811	44,363,160
1875–76	37,112,668	1,836,381	3,464,341	42,413,390	1,778,988	—	—	1,778,988	38,891,656	1,836,381	3,464,341	44,192,378
1876–77	35,367,177	1,443,712	9,992,406	46,803,295	2,073,454	—	2	2,073,456	37,440,631	1,443,712	9,992,408	48,876,751
1877–78	39,326,003	1,578,927	15,776,532	56,681,462	2,138,182	—	—	2,138,182	41,464,185	1,578,927	15,776,532	58,819,644
1878–79	36,566,194	1,463,050	5,593,699	43,622,943	1,234,400	—	—	1,234,400	37,800,594	1,463,050	5,593,699	44,857,343
1879–80	39,742,166	2,050,393	9,605,002	51,397,561	1,423,837	—	—	1,423,837	41,166,003	2,050,393	9,605,002	52,821,398
1880–81	50,308,834	3,672,058	5,316,156	59,297,048	2,807,936	—	—	2,807,936	53,116,770	3,672,058	5,316,156	62,104,984
1881–82	46,992,084	4,856,392	6,466,389	58,314,865	2,121,290	—	—	2,121,290	49,113,374	4,856,392	6,466,389	60,436,155
1882–83	50,003,041	5,095,135	8,358,022	63,456,198	2,092,670	—	—	2,092,670	52,095,711	5,095,135	8,358,022	65,548,868
1883–84	52,703,891	5,469,457	7,408,506	65,581,854	2,575,457	—	—	2,575,457	55,279,348	5,469,457	7,408,506	68,157,311
1884–85	53,149,311	4,778,172	9,100,675	67,028,158	2,553,761	—	9,350	2,563,111	55,703,072	4,778,172	9,110,025	69,591,269
1885–86	51,811,536	3,091,541	12,386,260	67,289,337	3,844,329	—	—	3,844,329	55,655,865	3,091,541	12,386,260	71,133,666
1886–87	58,661,462	2,833,558	8,219,761	69,714,781	3,115,889	—	—	3,115,889	61,777,351	2,833,558	8,219,761	72,830,670
1887–88	62,384,813	3,236,053	10,589,803	76,210,669	2,619,799	—	—	2,619,799	65,004,612	3,236,053	10,589,803	78,830,468
1888–89	66,570,318	3,119,088	10,725,872	80,415,278	2,870,149	—	—	2,870,149	69,440,467	3,119,088	10,725,872	83,285,427
1889–90	66,560,121	5,071,027	12,388,274	84,019,422	2,637,368	—	200	2,637,568	69,197,489	5,071,027	12,388,474	86,656,990
1890–91	69,034,900	6,500,832	15,418,654	90,954,386	2,940,470	—	15,000	2,955,470	71,975,370	6,500,832	15,433,654	93,909,856
1891–92	66,587,457	4,118,929	10,603,733	81,310,119	2,844,926	—	—	2,844,926	69,432,383	4,118,929	10,603,733	84,155,045
1892–93	62,605,030	1,781,789	15,228,021	79,614,840	3,660,247	—	—	3,660,247	66,265,277	1,781,789	15,228,021	83,275,087
1893–94	73,956,957	3,146,530	15,278,726	92,382,213	3,064,475	—	36,000	3,100,475	77,021,432	3,146,530	15,314,726	95,482.688
1894–95	70,167,438	1,756,280	7,802,727	79,726,445	3,361,555	—	22,200	3,383,755	73,528,993	1,756,280	7,824,927	83,110,200
1895–96	69,316,395	5,029,270	8,329,716	82,675,381	3,620,358	—	9,000	3,629,358	72,936,753	5,029,270	8,338,716	86,304,739
1896–97	71,914,697	4,491,179	8,584,173	84,990,049	4,189,251	—	9,211	4,198,462	76,103,948	4,491,179	8,593,384	89,188,511
1897–98	69,420,120	7,281,222	13,195,064	89,896,406	4,240,340	—	54,331	4,294,671	73,660,460	7,281,222	13,249,395	94,191,077
1898–99	68,473,248	8,840,054	9,043,902	86,357,204	3,637,468	—	11,656	3,649,124	72,110,716	8,840,054	9,055,558	90,006,328

No. 3.

NET TRADE on PRIVATE ACCOUNT, 1850–51 to 1898–99.

Year.	On Private Account.				Year.	On Private Account.			
	Net Exports of Merchandise.	Net Imports of Gold.	Net Imports of Silver.	Net Exports.		Net Exports of Merchandise.	Net Imports of Gold.	Net Imports of Silver.	Net Exports.
1.	2.	3.	4.	5.	1.	2.	3.	4.	5.
	Rx.	Rx.	Rx.	Rx.		Rx.	Rx.	Rx.	Rx.
1850–51	6,605,361	1,153,294	2,117,225	3,334,842	1875–76	20,932,737	1,545,133	1,640,445	17,747,159
1851–52	7,638,764	1,267,613	2,865,357	3,505,794	1876–77	25,594,455	207,350	7,286,188	18,100,917
1852–53	10,393,771	1,172,301	4,605,024	4,616,446	1877–78	25,859,710	468,129	14,732,194	10,659,387
1853–54	8,172,482	1,061,443	2,305,744	4,805,295	1878–79	24,327,417	*−896,173*	4,057,377	21,166,213
1854–55	6,184,553	731,290	29,600	5,423,663	1879–80	27,430,992	1,750,504	7,976,063	17,704,425
1855–56	9,095,774	2,506,245	8,194,375	*−1,604,846*	1880–81	24,222,448	3,655,199	3,923,612	16,643,637
1856–57	11,143,866	2,091,214	11,073,247	*−2,020,595*	1881–82	34,909,876	4,843,984	5,381,410	24,684,482
1857–58	12,178,407	2,783,073	12,218,948	*−2,823,614*	1882–83	33,397,824	4,930,871	7,541,427	20,925,526
1858–59	8,134,292	4,426,453	7,728,342	*−4,020,503*	1883–84	35,417,405	5,462,505	6,433,886	23,521,014
1859–60	3,695,063	4,284,234	11,147,563	*−11,736,734*	1884–85	30,051,217	4,671,936	7,319,581	18,059,700
1860–61	9,476,889	4,232,569	5,328,009	*−83,689*	1885–86	32,016,304	2,762,935	11,627,028	17,626,341
1861–62	13,996,610	5,184,425	9,086,456	*−274,271*	1886–87	29,767,198	2,177,065	7,191,743	20,398,390
1862–63	25,568,786	6,848,156	12,550,157	6,170,473	1887–88	28,086,649	2,992,481	9,319,421	15,774,747
1863–64	39,003,903	8,898,306	12,796,719	17,308,878	1888–89	30,407,853	2,813,934	9,327,529	18,266,390
1864–65	40,328,256	9,839,964	10,078,798	20,409,494	1889–90	36,836,741	4,615,303	11,002,078	21,219,360
1865–66	36,361,831	5,724,476	18,668,673	11,968,682	1890–91	31,100,822	5,636,172	14,211,408	11,253,242
1866–67	12,845,253	3,842,328	7,436,770	1,566,155	1891–92	41,448,553	2,413,792	9,165,684	29,869,077
1867–68	15,206,305	4,609,466	6,137,196	4,459,643	1892–93	43,930,967	*−2,812,683*	12,893,499	33,850,151
1868–69	17,130,791	5,159,352	8,431,154	3,540,285	1893–94	32,490,633	641,246	13,759,273	18,090,114
1869–70	19,591,733	5,592,117	7,337,304	6,662,312	1894–95	38,647,561	*−4,974,094*	6,375,084	37,246,571
1870–71	21,983,579	2,282,121	1,575,522	18,125,936	1895–96	44,946,745	2,525,953	6,600,732	35,820,060
1871–72	32,375,072	3,565,344	6,587,296	22,222,432	1896–97	31,999,600	2,291,038	5,858,424	23,850,138
1872–73	24,763,226	2,543,362	739,244	21,480,620	1897–98	28,117,153	4,908,489	8,433,628	14,775,036
1873–74	23,332,289	1,382,639	2,530,824	19,418,826	1898–99	44,249,681	6,503,408	3,972,367	33,773,906
1874–75	21,666,999	1,873,535	4,674,791	15,118,673					

No. 4.

IMPORTS of STORES on account of the GOVERNMENT, distinguishing Railway Materials from other Stores, 1872–73 to 1898–99.

Year.	Railway Materials.	Other Stores.	Total.	Year.	Railway Materials.	Other Stores.	Total.
	Rx.	Rx.	Rx.		Rx.	Rx.	Rx.
1872–73	113,794	1,287,762	1,401,556	1886–87	1,892,708	1,223,181	3,115,889
1873–74	450,399	1,740,932	2,191,331	1887–88	1,248,661	1,371,138	2,619,799
1874–75	241,905	1,334,946	1,576,851	1888–89	1,200,700	1,669,449	2,870,149
1875–76	479,335	1,299,653	1,778,988	1889–90	1,085,749	1,551,619	2,637,368
1876–77	502,237	1,571,217	2,073,454	1890–91	1,234,933	1,705,537	2,940,470
1877–78	820,558	1,317,624	2,138,182	1891–92	1,021,298	1,823,628	2,844,926
1878–79	444,999	789,401	1,234,400	1892–93	1,289,051	2,371,196	3,660,247
1879–80	495,448	928,389	1,423,837	1893–94	1,091,586	1,972,889	3,064,475
1880–81	1,624,924	1,183,012	2,807,936	1894–95	1,246,216	2,115,339	3,361,555
1881–82	1,162,187	959,103	2,121,290	1895–96	2,019,534	1,600,824	3,620,358
1882–83	912,367	1,180,303	2,092,670	1896–97	2,304,218	1,885,033	4,189,251
1883–84	1,237,659	1,337,798	2,575,457	1897–98	2,477,228	1,763,112	4,240,340
1884–85	1,237,462	1,316,299	2,553,761	1898–99	1,988,644	1,648,824	3,637,468
1885–86	2,299,499	1,544,830	3,844,329				

No. 5.

NET IMPORTS of GOLD and SILVER, showing the WEIGHT and VALUE, 1887-88 to 1898–99.

Year.	On Private Account.				On Government Account.		Total.	
	Gold.		Silver.		Silver.		Silver.	
	Weight, in ounces.	Value, Rx.	Weight, in ounces.	Value, Rx.	Weight, in ounces.	Value, Rx.	Weight, in ounces.	Value, Rx.
1887–88	528,038	2,992,481	Not shown separately.	9,319,421	Not shown separately.	−90,670	32,782,599	9,228,751
1888–89	461,577	2,813,934		9,327,529		−80,850	32,436,029	9,246,679
1889–90	773,384	4,615,303		11,002,078		−64,202	38,643,774	10,937,876
1890–91	1,014,229	5,636,172	51,665,952	14,211,408	−136,867	−36,272	51,529,085	14,175,136
1891–92	423,648	2,413,792	32,886,413	9,165,684	−537,975	−143,500	32,348,438	9,022,184
1892–93	−454,483	−2,812,683	45,635,748	12,893,499	−112,236	−29,930	45,523,512	12,863,569
1893–94	96,236	641,246	54,476,929	13,759,273	−147,956	−39,455	54,328,973	13,719,818
1894–95	−689,970	−4,974,094	27,211,978	6,375,084	−171,956	−45,855	27,040,022	6,329,229
1895–96	322,623	2,525,953	27,087,491	6,600,732	−69,412	−18,510	27,018,079	6,582,222
1896–97	309,365	2,291,038	25,938,067	5,858,424	−8,979	−2,395	25,929,088	5,856,029
1897–98	732,035	4,908,589	44,135,169	8,433,628	149,448	39,853	44,284,617	8,473,481
1898–99	1,022,000	6,503,400	23,133,864	3,972,367	31,561	8,416	23,165,425	3,980,783

No. 6.

AVERAGE RATE of EXCHANGE for BILLS and TELEGRAPHIC TRANSFERS on INDIA, 1850–51 to 1898–99.

Year.	Rate per Rupee.	Year.	Rate per Rupee.	Year.	Rate per Rupee.	Year.	Rate per Rupee.
	s. d.		s. d.		s. d.		s. d.
1850–51	2 0·286	1863–64	1 11·908	1876–77	1 8·508	1889–90	1 4·566
1851–52	2 0·144	1864–65	1 11·877	1877–78	1 8·791	1890–91	1 6·089
1852–53	1 11·904	1865–66	1 11·836	1878–79	1 7·794	1891–92	1 4·733
1853–54	2 0·146	1866–67	1 11·065	1879–80	1 7·961	1892–93	1 2·985
1854–55	1 11·141	1867–68	1 11·189	1880–81	1 7·956	1893–94	1 2·547
1855–56	2 0·159	1868–69	1 11·197	1881–82	1 7·895	1894–95	1 1·101
1856–57	2 0·178	1869–70	1 11·267	1882–83	1 7·525	1895–96	1 1·638
1857–58	2 0·584	1870–71	1 10·495	1883–84	1 7·536	1896–97	1 2·451
1858–59	2 1·710	1871–72	1 11·126	1884–85	1 7·308	1897–98	1 3·354
1859–60	2 2·028	1872–73	1 10·754	1885–86	1 6·254	1898–99	1 3·978
1860–61	2 2·035	1873–74	1 10·351	1886–87	1 5·441		
1861–62	1 11·867	1874–75	1 10·156	1887–88	1 4·898		
1862–63	1 11·920	1875–76	1 9·626	1888–89	1 4·379		

No. 7.

NET AMOUNT of REGISTERED DEBT in INDIA borrowed, paid off, and enfaced for Payment of Interest in London, 1850–51 to 1899–1900.

Year.	Total Debt Registered on the last day of each Year.	Net Amount Borrowed during the Year.	Net Amount Paid off during the Year.	Net Amount of Rupee Paper enfaced for Payment of Interest in London.*	Year.	Total Debt Registered on the last day of each Year.	Net Amount Borrowed during the Year.	Net Amount Paid off during the Year.	Net Amount of Rupee Paper enfaced for Payment of Interest in London.*
	Rx.	Rx.	Rx.	Rx.		Rx.	Rx.	Rx.	Rx.
1850–51	45,428,755	1,007,275	—	—	1877–78	74,954,520	3,031,394	—	1,576,851
1851–52	45,216,854	—	211,901	—	1878–79	78,838,926	3,884,406	—	1,361,259
1852–53	45,855,422	638,568	—	—	1879–80	82,872,509	4,033,583	—	3,377,791
1853–54	48,048,502	2,193,080	—	—	1880–81	85,959,746	3,087,237	—	−262,922
1854–55	42,379,767	—	5,668,735	—	1881–82	88,653,162	2,693,416	—	2,392,810
1855–56	44,181,133	1,801,366	—	—	1882–83	90,688,766	2,035,604	—	−74,823
1856–57	45,498,332	1,317,199	—	—	1883–84	93,191,384	2,502,618	—	−493 614
1857–58	53,245,637	7,747,305	—	—	1884–85	93,183,660	—	7,724	−247,681
1858–59	58,655,294	5,409,657	—	—	1885–86	92,703,982	—	479,678	−1,127,479
1859–60	63,546,402	4,891,108	—	2,708,310	1886–87	92,653,636	—	50,346	−1,562,801
1860–61	63,445,810	—	100,592	445,190	1887–88	98,089,862	5,436,226	—	1,669,330
1861–62	63,420,845	—	24,965	413,570	1888–89	100,879,742	2,789,880	—	895,181
1862–63	63,821,106	400,261	—	−786,620	1889–90	102,761,175	1,881,433	—	−120,019
1863–64	63,403,832	—	417,274	−65,960	1890–91	102,746,555	—	14,620	5,137,246
1864–65	63,366,684	—	37,148	722,250	1891–92	102,692,317	—	54,238	774,546
1865–66	62,381,077	—	985,607	909,517	1892–93	102,937,552	245,235	—	−1,571,980
1866–67	62,978,423	597,346	—	3,049,571	1893–94	105,546,078	2,608,526	—	−1,768,320
1867–68	63,765,002	786,579	—	−341,416	1894–95	104,373,740	—	1,172,338	−539,575
1868–69	63,410,691	—	354,311	331,899	1895–96	103,788,928	—	584,812	1,724,786
1869–70	65,593,422	2,182,731	—	864,479	1896–97	109,115,053	5,326,125	—	−1,284,090
1870–71	66,809,657	1,216,235	—	1,401,919	1897–98	111,695,634	2,580,581	—	−2,535,200
1871–72	67,968,942	1,159,285	—	−4,083,228	1898–99	112,650,434	954,800	—	−92,360
1872–73	66,458,369	—	1,510,573	−516,152	(Revised				
1873–74	66,417,291	—	41,078	224,494	Estimate.)				
1874–75	69,849,959	3,432,668	—	784,975	1899–1900	112,460,434	—	190,000	—
1875–76	72,772,981	2,923,022	—	1,400,528	(Budget				
1876–77	71,923,126	—	849,855	−1,247,542	Estimate.)				

* The figures relating to the enfacement of Rupee Paper, for the years from 1859–60 to 1868–69, are taken from a Statement compiled by the Bank of Bengal. The amount for 1898–99 represents the reduction registered at the Bank of England.

No. 8.

AMOUNT of CAPITAL PAID by Railway or Irrigation Companies into the Government Treasuries in India, or raised by Railway Companies in India, 1850–51 to 1899–1900.

Year.	Capital raised in India and paid into the Government Treasuries.	Year.	Capital raised in India and paid into the Government Treasuries.	Capital raised in India but not paid into the Government Treasuries.	Capital raised in England but paid into the Government Treasuries in India.	Total.
	Rx.		Rx.	Rx.	Rx.	Rx.
1850–51	86,063	Brought forward	1,479,949			1,479,949
1851–52	63,589					
1852–53	22,381	1879–80	—	140,000	—	140,000
1853–54	25,189	1880–81	81,019*	—	—	81,019*
1854–55	124,887	1881–82	—	87,500	—	87,500
1855–56	188,643	1882–83	2,370	35,000	—	37,370
1856–57	71,155	1883–84	360	20,000	—	20,360
1857–58	36,283	1884–85	3,933	187,000	—	190,933
1858–59	39,489	1885–86	2,010	—	—	2,010
1859–60	20,711	1886–87	840	—	—	840
1860–61	38,344	1887–88	831	—	—	831
1861–62	20,524	1888–89	—	10,000	—	10,000
1862–63	11,530	1889–90	—	12,500	—	12,500
1863–64	23,810	1890–91	—	7,500	20,000	27,500
1864–65	22,673	1891–92	—	—	223,420	223,420
1865–66	16,579	1892–93	—	—	77,500	77,500
1866–67	20,080	1893–94	—	15,000	67,500	82,500
1867–68	44,544	1894–95	—	—	—	—
1868–69	28,016	1895–96	63,800	—	100,000	163,800
1869–70	27,580	1896–97	278,200	74,100	50,000	402,300
1870–71	404,751	1897–98	380,654	24,950	280,000	685,604
1871–72	31,030	1898–99	922,800	713	155,000	1,078,513
1872–73	10,626	(Revised				
1873–74	1,272	Estimate.)				
1874–75	—	1899–1900	460,100	—	65,500	525,600
1875–76	—	(Budget				
1876–77	99,362	Estimate.)				
1877–78	637					
1878–79	201					
Carried forward	1,479,949		3,676,866	614,263	1,038,920	5,330,049

* Includes Rx. 80,931, contribution by Casualty Fund of the Great Indian Peninsula Railway Company to Capital, treated as Capital not bearing interest.

No. 9.

STATEMENT showing the NET DISBURSEMENTS in ENGLAND in each Year from 1850–51 to 1898–99 inclusive, and the mode in which those Disbursements were provided for.

Year.	Net Disbursements (excluding Discharge of Debt and all Capital Transactions.)	Capital Outlay on Railways and Irrigation Works (*see* Statement C.)	Discharge in England of Rupee Debt.	Total.	Total Remittances from India (*see* Statement A.)	Net Receipts from, or Withdrawals (−) by Railway, &c. Companies on Capital Account (*see* Statement B.)	Net Money raised in London on Loans, or discharged (−), excluding specific Debt for Railways and Canals (*see* Statement C.)	Money raised under Act 51 Vict. c. 5. for Advances to Railway Companies.	Sale of Investments or Money invested (−) in the Public Funds.	Total.	Balance Increased or Decreased (−).
	£	£	£	£	£	£	£	£	£	£	£
1850–51	3,661,832	—	625	3,662,457	4,117,024	395,017	*−100*	—	*−200,000*	4,311,941	649,484
1851–52	3,510,579	—	250	3,510,829	2,983,105	137,112	—	—	—	3,120,217	*−390,612*
1852–53	3,796,802	—	—	3,796,802	3,433,282	208,029	—	—	—	3,641,311	*−155,491*
1853–54	4,369,009	—	—	4,369,009	4,190,156	378,776	—	—	—	4,568,932	199,923
1854–55	4,186,009	—	81,580	4,267,589	4,172,052	2,457,840	*−5,000*	—	—	6,624,892	2,357,303
1855–56	4,683,648	—	352,870	5,036,518	1,698,634	2,002,130	*−275*	—	—	3,700,489	*−1,336,029*
1856–57	4,981,333	—	2,516	4,983,849	3,004,394	1,589,845	—	—	—	4,594,239	*−389,610*
1857–58	7,363,695	—	—	7,363,695	1,305,489	1,638,240	4,788,173	—	941,449	8,673,351	1,309,656
1858–59	10,467,423	—	529	10,467,952	*−2,186,363*	4,888,899	6,233,214	—	—	8,935,750	*−1,532,202*
1859–60	9,494,496	—	—	9,494,496	*−3,086,960*	3,275,621	10,682,530	—	—	10,871,191	1,376,695
1860–61	9,325,489	—	—	9,325,489	639,460	3,434,593	3,708,405	—	—	7,782,458	*−1,543,031*
1861–62	9,206,079	—	—	9,206,079	1,590,389	7,002,551	3,693,787	—	—	12,286,727	3,080,648
1862–63	9,106,937	—	—	9,106,937	6,948,514	3,429,822	*−1,756,200*	—	—	8,622,136	*−484,801*
1863–64	8,850,482	—	—	8,850,482	9,039,753	4,685,593	*−5,527,500*	—	—	8,197,846	*−652,636*
1864–65	9,293,561	—	—	9,293,561	6,896,354	1,902,325	*−186,500*	—	—	8,612,179	*−681,382*
1865–66	10,391,040	—	—	10,391,040	7,265,321	1,175,508	854,100	—	—	9,294,929	*−1,096,111*
1866–67	10,834,951	—	—	10,834,951	6,665,623	2,807,427	2,641,900	—	—	12,114,950	1,279,999
1867–68	12,681,106	—	—	12,681,106	5,391,006	4,860,423	1,163,907	—	—	11,415,336	*−1,265,770*
1868–69	12,806,397	352,655	—	13,159,052	8,232,471	4,087,914	1,031,639	—	—	13,352,024	192,972
1869–70	12,837,017	1,171,622	—	14,008,639	8,450,753	1,886,276	3,538,112	—	—	13,875,141	*−133,498*
1870–71	13,471,734	51,743	—	13,523,477	9,244,450	2,268,660	2,423,856	—	—	13,936,966	413,489
1871–72	13,334,135	147,677	—	13,481,812	10,398,441	1,190,085	1,408,406	—	—	12,996,932	*−484,880*
1872–73	13,528,170	303,547	—	13,831,717	14,537,693	*−528,622*	—	—	—	14,009,071	177,354
1873–74	13,503,178	1,010,665	—	14,513,843	13,453,026	57,553	18,458	—	—	13,529,037	*−984,806*
1874–75	13,346,411	1,133,233	—	14,479,644	10,974,185	*−781,648*	5,069,839	—	—	15,262,376	782,732
1875–76	13,608,690	747,908	—	14,356,598	12,484,003	*−1,210,175*	1,206,299	—	—	12,480,127	*−1,876,471*
1876–77	14,377,158	619,214	—	15,196,372	12,827,510	*−1,553,238*	5,716,168	—	—	16,990,440	1,794,068
1877–78	14,757,862	1,146,823	—	15,904,685	10,241,190	*−312,956*	4,339,141	—	—	14,267,375	*−1,637,310*
1878–79	14,672,343	692,869	—	15,365,212	15,959,884	*−925,545*	372,140	—	—	15,406,479	41,267
1879–80	14,778,153	785,381	—	15,563,534	17,916,739	*−484,879*	*−716,144*	—	—	16,715,716	1,152,182
1880–81	14,393,493	1,265,375	—	15,658,868	16,013,784	*−1,261,465*	2,764,191	—	—	17,516,510	1,857,642
1881–82	14,706,868	802,816	—	15,509,684	19,179,510	*−1,328,194*	*−3,348,473*	—	—	14,002,843	*−1,506,841*
1882–83	14,312,913	2,210,998	—	16,523,911	16,451,481	875,366	6,029	—	—	17,332,876	808,965
1883–84	16,672,700	791,209	—	17,463,909	18,971,399	*−808,852*	*−15,291*	—	—	18,147,256	683,347
1884–85	14,526,693	1,082,163	—	15,608,856	14,393,518	*−352,835*	*−295,670*	—	—	13,745,013	*−1,863,843*
1885–86	14,830,346	1,793,769	—	16,624,115	11,578,769	4,543,766	2,978,787	—	—	19,101,322	2,477,207
1886–87	14,860,066	1,323,083	1,125,972	17,309,121	12,325,576	741,362	4,796,426	—	—	17,863,364	554,243
1887–88	15,898,410	1,115,946	2,812	17,017,168	15,545,145	2,091,892	—	—	—	17,637,037	619,869
1888–89	15,514,309	776,378	—	16,290,687	14,392,794	*−1,105,923*	363,052	—	—	13,649,923	*−2,640,764*
1889–90	15,095,638	999,551	—	16,095,189	15,622,525	*−657,808*	*−251,865*	3,525,277	—	18,238,129	2,142,940
1890–91	15,638,017	1,079,663	—	16,717,680	16,130,916	*−2,557,007*	*−85,977*	1,661,925	—	15,149,857	*−1,567,823*
1891–92	16,144,936	874,985	—	17,019,921	16,252,486	*−1,783,274*	995,738	1,842,547	—	17,307,497	287,576
1892–93	16,817,287	1,044,064	—	17,861,351	16,683,005	*−10,312*	*−1,001,340*	335,760	—	16,007,113	*−1,854,238*
1893–94	16,265,070	725,270	—	16,990,340	9,677,561	*−1,071,249*	7,383,986	32,218	—	16,022,516	*−967,824*
1894–95	16,036,790	804,354	—	16,841,144	17,053,384	*−985,397*	1,975,717	—	—	18,043,704	1,202,560
1895–96	15,699,367	683,174	—	16,382,541	17,835,471	*−560,656*	*−1,600*	—	—	17,273,215	890,674
1896–97	15,836,660	1,149,404	—	16,986,064	15,789,407	1,485,205	*−849,992*	—	—	16,424,620	*−561,444*
1897–98	16,235,200	815,583	—	17,050,783	9,617,194	*−645,928*	8,379,407	—	—	16,752,673	*−298,110*
1898–99 (subject to audit)	16,503,616	770,160	—	17,273,776	18,894,195	*−1,423,328*	413,676	—	—	17,884,543	610,767
	597,414,098	28,271,282	1,567,154	627,252,534	500,595,698	45,150,539	74,405,156	7,307,727	741,449	628,290,569	1,038,035

No. 9.—Statement A.

Total Amount drawn by the Secretary of State, whether by Sale of Bills of Exchange and Telegraphic Transfers on India, by Purchase in India of Bills of Exchange on England, by Remittance of Bullion, or in any other way.

Year.	Bills of Exchange and Telegraphic Transfers on India.	Average Rate of Exchange obtained.	Bills of Exchange on England purchased in India.	Bullion Remittances from and to (−) India.	Repayment of Advances made in India on Security of Goods.	Repayments by the Imperial Government in respect of Disbursements in India on account of Expeditions.	Grant in Aid of the Afghan War.	Repayment of Miscellaneous Advances made in India on account of the Imperial Government.	Total Remittances from India.
	£	s. d.	£	£	£	£	£	£	£
1850-51	3,236,458	2 0·286	—	—	694,533	—	—	186,033	4,117,024
1851-52	2,777,523	2 0·144	—	—	26	—	—	205,556	2,983,105
1852-53	3,317,122	1 11·904	—	—	—	—	—	116,160	3,433,282
1853-54	3,850,565	2 0·146	—	—	60	—	—	339,531	4,190,156
1854-55	3,669,678	1 11·141	—	(Gold) 412,022	—	—	—	90,352	4,172,052
1855-56	1,484,040	2 0·159	—	(Gold) 7,202	—	—	—	207,392	1,698,634
1856-57	2,819,710	2 0·178	—	—	—	—	—	184,684	3,004,394
1857-58	628,499	2 0·584	—	(*Silver*) *−1,091,033*	—	1,490,693	—	277,330	1,305,489
1858-59	25,901	2 1·710	—	(*Silver*) *−2,348,765*	—	—	—	136,501	*−2,186,363*
1859-60	4,694	2 2·028	—	(*Silver*) *−3,636,082*	—	443,896	—	100,532	*−3,086,960*
1860-61	797	2 2·035	—	(*Silver*) *− 864,497*	—	917,601	—	85,559	639,460
1861-62	1,193,728	1 11·867	120,000	(*Silver*) *− 735,005*	—	945,461	—	66,205	1,590,389
1862-63	6,641,576	1 11·920	—	—	—	242,400	—	64,538	6,948,514
1863-64	8,979,521	1 11·908	—	—	—	—	—	60,232	9,039,753
1864-65	6,789,473	1 11·877	—	—	—	—	—	106,881	6,896,354
1865-66	6,998,898	1 11·836	—	(Gold) 159,858	—	—	—	106,565	7,265,321
1866-67	5,613,746	1 11·065	—	(Gold) 221,634 (Silver) 660,668	—	—	—	169,575	6,665,623
1867-68	4,137,285	1 11·189	—	—	—	1,000,000	—	253,721	5,391,006
1868-69	3,705,741	1 11·197	—	—	—	4,399,929	—	126,801	8,232,471
1869-70	6,980,122	1 11·267	—	—	—	1,354,124	—	116,507	8,450,753
1870-71	8,443,509	1 10·495	—	(Silver) 571,193	—	127,620	—	102,128	9,244,450
1871-72	10,310,339	1 11·126	—	—	—	1,072	—	87,030	10,398,441
1872-73	13,939,095	1 10·754	403,040	—	—	51,239	—	144,319	14,537,693
1873-74	13,285,678	1 10·351	—	—	—	51,492	—	115,656	13,453,026
1874-75	10,841,615	1 10·156	—	—	—	—	—	132,570	10,974,185
1875-76	12,389,613	1 9·626	—	—	—	15,387	—	79,003	12,484,003
1876-77	12,695,800	1 8·508	—	—	—	500	—	131,210	12,827,510
1877-78	10,134,455	1 8·791	—	—	—	—	—	106,735	10,241,190
1878-79	13,948,565	1 7·794	1,516,193	—	—	407,361	—	87,765	15,959,884
1879-80	15,261,810	1 7·961	—	(Gold) 486,947	—	50,985	2,000,000	116,997	17,916,739
1880-81	15,239,677	1 7·956	—	—	—	—	500,000	274,107	16,012,784
1881-82	18,412,429	1 7·895	—	—	—	—	500,000	267,081	19,179,510
1882-83	15,120,521	1 7·525	—	—	—	500,000	500,000	330,960	16,451,481
1883-84	17,599,805	1 7·536	—	—	—	34,690	1,000,000	336,904	18,971,399
1884-85	13,758,909	1 7·308	—	—	—	7,776	250,000	376,833	14,393,518
1885-86	10,292,692	1 6·254	—	—	—	634,716	250,000	401,361	11,578,769
1886-87	12,136,279	1 5·441	—	—	—	75,875	—	113,422	12,325,576
1887-88	15,358,577	1 4·898	—	—	—	30,160	—	156,408	15,545,145
1888-89	14,262,859	1 4·379	—	—	—	694	—	129,241	14,392,794
1889-90	15,474,496	1 4·566	—	—	—	—	—	148,029	15,622,525
1890-91	15,969,034	1 6·089	—	—	—	—	—	161,882	16,130,916
1891-92	16,093,854	1 4·733	—	—	—	—	—	158,632	16,252,486
1892-93	16,532,215	1 2·985	—	—	—	—	—	150,790	16,683,000
1893-94	9,530,235	1 2·547	—	—	—	—	—	147,326	9,677,561
1894-95	16,905,102	1 1·101	—	—	—	—	—	148,282	17,053,384
1895-96	17,664,492	1 1·038	—	—	—	—	—	170,979	17,835,471
1896-97	15,526,547	1 2·451	—	—	—	141,374	—	121,486	15,789,407
1897-98	(Net) 8,836,688	1 3·354	—	—	—	28,950	—	151,556	9,017,194
1898-99, (subject to audit)	18,692,377	1 3·978	—	—	—	28,294	—	173,524	18,894,195
	477,512,344	—	2,039,233	— *5,655,858*	694,619	12,982,289	5,000,000	8,023,071	500,595,698

No. 9.—STATEMENT B.

AMOUNT of CAPITAL RAISED in LONDON by INDIAN RAILWAY or IRRIGATION COMPANIES guaranteed by the SECRETARY OF STATE, and the Withdrawals by those Companies in London on Capital Account.

Year.	Capital Receipts.	Discharge of Debentures.	Net Capital Receipts.	Withdrawals.	Refunds, &c.	Net Withdrawals.	Net Receipts or Withdrawals (−).
	£	£	£	£	£	£	£
1850–51	456,180	—	456,180	61,263	100	61,163	395,017
1851–52	291,324	—	291,324	154,215	3	154,212	137,112
1852–53	382,949	—	382,949	175,016	96	174,920	208,029
1853–54	631,259	—	631,259	252,856	373	252,483	378,776
1854–55	3,418,718	—	3,418,718	976,311	15,433	960,878	2,457,840
1855–56	3,936,878	—	3,936,878	1,971,681	36,933	1,934,748	2,002,130
1856–57	3,342,658	—	3,342,658	1,782,888	30,075	1,752,813	1,589,845
1857–58	2,968,613	5,500	2,963,113	1,342,054	17,181	1,324,873	1,638,240
1858–59	6,824,878	—	6,824,878	1,946,924	10,945	1,935,979	4,888,899
1859–60	6,005,751	218,300	5,787,451	2,601,347	89,517	2,511,830	3,275,621
1860–61	5,842,372	—	5,842,372	2,464,808	57,029	2,407,779	3,434,593
1861–62	8,615,159	—	8,615,159	1,717,474	104,866	1,612,608	7,002,551
1862–63	5,293,689	2,500	5,291,189	1,874,513	13,146	1,861,367	3,429,822
1863–64	6,135,805	21,000	6,114,805	1,460,612	31,400	1,429,212	4,685,593
1864–65	3,938,175	632,630	3,305,545	1,413,550	10,330	1,403,220	1,902,325
1865–66	4,192,435	788,070	3,404,365	2,237,326	8,469	2,228,857	1,175,508
1866–67	6,780,755	359,300	6,421,455	3,660,271	46,243	3,614,028	2,807,427
1867–68	9,435,444	178,850	9,256,594	4,429,959	33,788	4,396,171	4,860,423
1868–69	6,443,581	225,400	6,218,181	2,189,191	58,924	2,130,267	4,087,914
1869–70	5,051,455	656,250	4,395,205	2,546,299	37,370	2,508,929	1,886,276
1870–71	7,599,464	3,346,750	4,252,714	1,999,276	15,222	1,984,054	2,268,660
1871–72	3,694,616	1,600,015	2,094,601	945,623	41,107	904,516	1,190,085
1872–73	804,472	640,100	164,372	854,291	161,297	692,994	*−528,622*
1873–74	1,213,682	226,100	987,582	1,044,183	114,154	930,029	57,553
1874–75	766,749	373,500	393,249	1,197,848	22,951	1,174,897	*−781,648*
1875–76	1,673,472	1,720,150	*−46,678*	1,176,927	13,430	1,163,497	*−1,210,175*
1876–77	870,475	1,200,870	*−330,395*	1,242,062	19,219	1,222,843	*−1,553,238*
1877–78	2,259,377	779,850	1,479,527	1,802,841	10,358	1,792,483	*−312,956*
1878–79	860,690	—	860,690	1,799,344	13,109	1,786,235	*−925,545*
1879–80	785,238	—	785,238	1,315,649	45,532	1,270,117	*−484,879*
1880–81	203,261	—	203,261	1,501,640	36,914	1,464,726	*−1,261,465*
1881–82	558,493	200,000	358,493	1,725,729	39,042	1,686,687	*−1,328,194*
1882–83	2,839,826	143,600	2,696,226	1,850,863	30,003	1,820,860	875,366
1883–84	1,898,489	373,300	1,525,189	2,341,087	7,046	2,334,041	*−808,852*
1884–85	2,836,111	1,032,700	1,803,411	2,177,812	21,566	2,156,246	*−352,835*
1885–86	7,327,007	285,500	7,041,507	2,521,092	23,351	2,497,741	4,543,766
1886–87	4,135,372	1,417,800	2,717,572	1,981,622	5,412	1,976,210	741,362
1887–88	5,564,153	426,000	5,138,153	3,076,901	30,640	3,046,261	2,091,892
1888–89	1,705,701	200	1,705,501	2,828,555	17,131	2,811,424	*−1,105,923*
1889–90	1,736,651	500,000	1,236,651	1,910,020	15,561	1,894,459	*−657,808*
1890–91	86,400	898,100	*−811,700*	1,754,410	9,103	1,745,307	*−2,557,007*
1891–92	1,082,605	1,424,900	*−342,295*	1,451,713	10,734	1,440,979	*−1,783,274*
1892–93	1,570,567	—	1,570,567	1,594,398	13,519	1,580,879	*−10,312*
1893–94	88,688	—	88,688	1,167,348	7,411	1,159,937	*−1,071,249*
1894–95	364,048	—	364,048	1,355,951	6,506	1,349,445	*−985,397*
1895–96	940,733	—	940,733	1,515,958	14,569	1,501,389	*−560,656*
1896–97	4,442,093	871,200	3,570,893	2,100,218	14,530	2,085,688	1,485,205
1897–98	1,782,997	24,123	1,758,874	2,410,097	7,295	2,402,802	*−643,928*
1898–99 (subject to audit)	1,388,569	205,500	1,183,069	2,651,537	45,140	2,606,397	*−1,423,328*
	151,068,077	20,773,058	130,290,019	86,553,553	1,414,073	85,139,480	45,150,539

No. 9.—STATEMENT C.

NET AMOUNT of MONEY raised by DEBT incurred in LONDON (excluding Debt incurred for purchase of Railways or Canals or to pay off Debentures issued by Railway or Irrigation Companies); also the Capital Outlay in England on State Railways and Irrigation Works for which no specific Debt has been incurred in London.

Year.	Money raised by Debt incurred in London.	Sterling Debt discharged.	Net.	Deductions.			Net Money raised excluding specific Debt incurred for Railways and Canals.	Capital Outlay on Railways and Irrigation Works for which no specific Debt has been incurred in London.		
				Specific Debt, incurred for purchase of Railways and Canals.	Money raised under Act 51 Vict. c. 5. for Advances to Railway Companies.	Total Deductions.		Railways.	Irrigation.	Total.
	£	£	£	£	£	£	£	£	£	£
1850-51	—	100	*-100*	—	—	—	*-100*	—	—	—
1851-52	—	—	—	—	—	—	—	—	—	—
1852-53	—	—	—	—	—	—	—	—	—	—
1853-54	—	—	—	—	—	—	—	—	—	—
1854-55	—	5,000	*-5,000*	—	—	—	*-5,000*	—	—	—
1855-56	—	275	*-275*	—	—	—	*-275*	—	—	—
1856-57	—	—	—	—	—	—	—	—	—	—
1857-58	5,688,173	900,000	4,788,173	—	—	—	4,788,173	—	—	—
1858-59	6,887,114	653,900	6,233,214	—	—	—	6,233,214	—	—	—
1859-60	12,805,530	2,123,000	10,682,530	—	—	—	10,682,530	—	—	—
1860-61	4,664,605	956,200	3,708,405	—	—	—	3,708,405	—	—	—
1861-62	4,995,387	1,301,600	3,693,787	—	—	—	3,693,787	—	—	—
1862-63	—	1,756,200	*-1,756,200*	—	—	—	*-1,756,200*	—	—	—
1863-64	2,441,000	7,968,500	*-5,527,500*	—	—	—	*-5,527,500*	—	—	—
1864-65	—	186,500	*-186,500*	—	—	—	*-186,500*	—	—	—
1865-66	882,800	28,700	854,100	—	—	—	854,100	—	—	—
1866-67	2,731,900	90,000	2,641,900	—	—	—	2,641,900	—	—	—
1867-68	1,164,407	500	1,163,907	—	—	—	1,163,907	—	—	—
1868-69	1,534,139	502,500	1,031,639	—	—	—	1,031,639	338,655	14,000	352,655
1869-70	4,039,412	501,300	3,538,112	—	—	—	3,538,112	79,213	1,092,409	1,171,622
1870-71	2,423,856	—	2,423,856	—	—	—	2,423,856	50,462	1,281	51,743
1871-72	1,413,406	5,000	1,408,406	—	—	—	1,408,406	146,853	824	147,677
1872-73	—	—	—	—	—	—	—	299,407	4,140	303,547
1873-74	1,037,458	1,019,000	18,458	—	—	—	18,458	954,420	56,245	1,010,665
1874-75	5,070,839	1,000	5,069,839	—	—	—	5,069,839	1,114,554	18,679	1,133,235
1875-76	1,206,299	—	1,206,299	—	—	—	1,206,299	743,639	4,269	747,908
1876-77	6,216,168	500,000	5,716,168	—	—	—	5,716,168	616,118	3,096	619,214
1877-78	4,339,141	—	4,339,141	—	—	—	4,339,141	1,146,549	274	1,146,823
1878-79	3,746,640	3,374,500	372,140	—	—	—	372,140	683,406	9,463	692,869
1879-80	11,459,295	2,609,500	8,849,795	9,565,939	—	9,565,939	*-716,144*	782,175	3,206	785,381
1880-81	5,209,102	2,444,911	2,764,191	—	—	—	2,764,191	1,265,375	—	1,265,375
1881-82	2,455,155	5,717,328	*-3,262,173*	586,300	—	586,300	*-3,848,473*	802,816	—	802,816
1882-83	6,743,147	6,256,785	486,362	480,333	—	480,333	6,029	448,416	1,762,582	2,210,998
1883-84	1,841,001	1,290,031	550,970	566,261	—	566,261	*-15,291*	769,825	21,384	791,209
1884-85	4,868,800	3,849,724	1,019,076	1,314,746	—	1,314,746	*-295,670*	1,077,705	4,458	1,082,163
1885-86	5,071,032	1,006,200	4,064,832	1,086,045	—	1,086,045	2,978,787	1,787,175	6,594	1,793,769
1886-87	10,121,992	411,020	9,710,972	4,914,546	—	4,914,546	4,796,426	1,321,074	2,009	1,323,083
1887-88	—	—	—	—	—	—	—	1,109,027	6,919	1,115,946
1888-89	14,366,727	3,667,626	10,699,101	10,336,049	—	10,336,049	363,052	772,021	4,357	776,378
1889-90	4,186,277	912,865	3,273,412	—	3,525,277	3,525,277	*-251,865*	997,588	1,963	999,551
1890-91	6,854,481	585,976	6,268,505	4,692,557	1,661,925	6,354,482	*-85,977*	1,072,357	7,306	1,079,663
1891-92	4,345,647	1,507,362	2,838,285	—	1,842,547	1,842,547	995,738	864,309	10,676	874,985
1892-93	1,256,060	1,921,640	*-665,580*	—	335,760	335,760	*-1,001,340*	1,034,673	9,391	1,044,064
1893-94	13,417,419	6,001,215	7,416,204	—	32,218	32,218	7,383,986	711,971	13,299	725,270
1894-95	8,980,717	7,005,000	1,975,717	—	—	—	1,975,717	799,811	4,543	804,354
1895-96	2,000,000	2,001,600	*-1,600*	—	—	—	*-1,600*	679,562	3,612	683,174
1896-97	3,968,898	4,818,890	*-849,992*	—	—	—	*-849,992*	1,146,343	2,561	1,149,404
1897-98	9,382,209	1,002,802	8,379,407	—	—	—	8,379,407	809,010	6,573	815,583
1898-99 (subject to audit)	9,797,654	9,383,978	413,676	—	—	—	413,676	766,839	3,321	770,160
	199,613,887	84,268,228	115,345,659	33,542,776	7,397,727	40,940,503	74,405,156	25,191,848	3,079,434	28,271,282

No. 10.

STATEMENT showing the AMOUNT of INDIAN STERLING DEBT at the commencement and close of each of the 21 Years from 1878-79 to 1898-99, the Increase or Decrease in each Year, and the portion of that Debt contracted for Railways and Irrigation Works on the assumption that the Amount of all Capital Outlay in England on such Works has been borrowed in this country.

	Debt assumed to have been incurred for Railways and Irrigation Works.				Remaining or Ordinary Debt.	Total Debt in England.
	Debt equal to Amount of Capital Outlay on Railways and Irrigation Works and certain Railway Companies' Debentures discharged.	Specific Debt incurred for Purchase of Railways.	Debt created under Act 51 Vict. c. 5, for Advances to Railway Companies.	Total.		
	£	£	£	£	£	£
1st April 1878	6,685,087	—	—	6,685,087	52,991,946	59,677,033
Increase or Decrease (−)	692,869	—	—	692,869	*−340,785*	352,084
31st March 1879	7,377,956	—	—	7,377,956	52,651,161	60,029,117
Increase or Decrease (−)	785,381	9,565,939	—	10,351,320	*−1,524,881*	8,826,439
31st March 1880	8,163,337	9,565,939	—	17,729,276	51,126,280	68,855,556
Increase or Decrease (−)	2,265,375	*−1,018,756*	—	1,246,619	1,326,958	2,573,577
31st March 1881	10,428,712	8,547,183	—	18,975,895	52,453,238	71,429,133
Increase or Decrease (−)	802,816	561,895	—	1,364,711	*−4,651,897*	*−3,287,180*
31st March 1882	11,231,528	9,109,078	—	20,340,606	47,801,341	68,141,947
Increase or Decrease (−)	4,150,598	*−1,489,068*	—	2,661,530	*−2,217,783*	443,747
31st March 1883	15,382,126	7,620,010	—	23,002,136	45,583,558	68,585,694
Increase or Decrease (−)	801,609	521,618	—	1,323,227	*−1,800,084*	*−476,857*
31st March 1884	16,183,735	8,141,628	—	24,325,363	43,783,474	68,108,837
Increase or Decrease (−)	1,284,613	1,074,314	—	2,358,927	*−1,196,676*	1,162,251
31st March 1885	17,468,348	9,215,942	—	26,684,290	42,586,798	69,271,088
Increase	1,793,969	1,044,152	—	2,838,121	1,697,412	4 535,533
31st March 1886	19,262,317	10,260,094	—	29,522,411	44,284,210	73,806,621
Increase	1,732,783	4,428,956	—	6,161,739	4,259,817	10,421,556
31st March 1887	20,995,100	14,689,050	—	35,684,150	48,544,027	84,228,177
Increase or Decrease (−)	1,115,946	*−80,566*	—	1,035,380	*−1,123,409*	*−88,029*
31st March 1888	22,111,046	14,608,484	—	36,719,530	47,420,618	84,140,148
Increase or Decrease (−)	776,378	10,537,859	—	11,314,237	*−420,775*	10,893,462
31st March 1889	22,887,424	25,146,343	—	48,033,767	46,999,843	95,033,610
Increase or Decrease (−)	999,551	*−81,898*	3,500,000	4,417,653	*−1,258,872*	3,158,781
31st March 1890	23,886,975	25,064,445	3,500,000	52,451,420	45,740,971	98,192,391
Increase or Decrease (−)	1,079,663	4,635,103	1,674,489	7,389,255	*−1,173,438*	6,215,817
31st March 1891	24,966,638	29,699,548	5,174,489	59,840,675	44,567,533	104,408,208
Increase or Decrease (−)	874,985	971,818	1,949,489	3,796,292	*−800,357*	2,995,935
31st March 1892	25,841,623	30,671,366	7,123,978	63,636,967	43,767,176	107,404,143
Increase or Decrease (−)	1,044,064	*−1,058,300*	347,506	333,270	*−1,053,646*	*−720,376*
31st March 1893	26,885,687	29,613,066	7,471,484	63,970,237	42,713,530	106,683,767
Increase or Decrease (−)	725,270	*−74,248*	32,686	683,708	6,746,317	7,430,025
31st March 1894	27,610,957	29,538,818	7,504,170	64,653,945	49,459,847	114,113,792
Increase or Decrease (−)	804,354	*−94,347*	—	710,007	1,182,027	1,892,034
31st March 1895	28,415,311	29,444,471	7,504,170	65,363,952	50,641,874	116,005,826
Increase or Decrease (−)	683,174	*−92,099*	—	591,075	*−693,169*	*−102,094*
31st March 1896	29,098,485	29,352,372	7,504,170	65,955,027	49,948,705	115,903,732
Increase or Decrease (−)	1,149,404	*−101,854*	—	1,047,550	*−2,068,049*	*−1,020,499*
31st March 1897	30,247,889	29,250,518	7,504,170	67,002,577	47,880,656	114,883,233
Increase or Decrease (−)	815,583	*−96,925*	—	718,658	7,672,789	8,391,447
31st March 1898	31,063,472	29,153,593	7,504,170	67,721,235	55,553,445	123,274,680
Increase or Decrease (−)	770,160	*−52,607*	—	717,553	276,372	993,925
31st March 1899	31,833,632*	29,100,986	7,504,170	68,438,788	55,829,817	124,268,605
Increase in 21 years	25,148,545	29,100,986	7,504,170	61,753,701	2,837,871	64,591,572

*India Finance and Revenue Accounts 1897-98, page 198 - { Railways - £24,425,009; Irrigation Works - £3,076,113 }

	£
1898-99. Railways and Irrigation Works	770,160
East Indian Railway Debentures	2,950,000
Eastern Bengal Railway Debentures	612,350
	£31,833,612

No. 11.

STATEMENT showing the TOTAL AMOUNT of the STERLING PAYMENTS made in this COUNTRY in each of the 21 years from 1878-79 to 1898-99 on account of Interest and Annuities; the apportionment of those Payments to Railways and Irrigation Works and to Interest on Ordinary Debt, on the assumption that the Amount of all Capital Outlay in England on such Works has been Borrowed in this Country; also their equivalent in Rx at the average Drawing Rate of the Year.

Year.	Interest on Debt assumed to have been incurred for Railways and Irrigation Works, including Annuities in Purchase of Railways.							Interest on remaining or Ordinary Debt.	Equivalent in Rx. of Sums in preceding Column at the average Drawing Rate of the Year.	Total Sterling Payments on account of Interest and Annuities.	Equivalent in Rx. of Sums in preceding Column at the average Drawing Rate of the Year.
	Interest on Debt equal to Amount of Capital Outlay on Railways and Irrigation Works and certain Railway Companies' Debentures discharged.	Interest on Specific Debt incurred for Purchase of Railways.	Interest charged against Railway Companies on Advances made to them out of Debt created under Act 51 Vict. c. 5.	Annuities in Purchase of Railways.	Interest guaranteed to Railway, &c. Companies.	Total Interest and Annuities in respect of Railways and Irrigation Works.	Equivalent in Rx. of Sums in preceding Column at the average Drawing Rate of the Year.				
	£	£	£	£	£	£	Rx.	£	Rx.	£	Rx.
1878-79	265,766	—	—	—	4,739,259	5,005,025	6,068,495	2,327,346	2,821,861	7,332,371	8,890,356
1879-80	290,186	34,397	—	—	4,752,462	5,077,045	6,104,372	2,298,949	2,764,136	7,375,994	8,868,508
1880-81	316,197	343,869	—	993,298	3,304,487	4,957,851	5,962,463	2,025,021	2,435,352	6,982,872	8,397,815
1881-82	409,483	352,852	—	1,239,446	3,319,097	5,320,878	6,418,581	2,102,445	2,536,182	7,423,323	8,954,763
1882-83	463,583	348,092	—	1,216,735	3,348,408	5,376,818	6,610,223	2,017,564	2,480,379	7,394,382	9,090,602
1883-84	603,967	311,593	—	1,203,118	3,312,042	5,430,720	6,671,697	1,838,243	2,258,301	7,268,963	8,929,998
1884-85	642,638	353,326	—	1,220,582	3,253,635	5,470,181	6,799,390	1,782,865	2,216,087	7,253,046	9,015,477
1885-86	693,948	366,155	—	1,324,031	3,376,621	5,760,755	7,574,076	1,735,000	2,281,128	7,495,755	9,855,204
1886-87	780,843	566,049	—	1,677,700	3,040,607	6,065,199	8,346,111	1,816,132	2,499,117	7,881,331	10,845,228
1887-88	1,016,537*	552,080	—	1,683,456	3,163,856	6,415,929	9,111,964	2,348,685*	3,335,625	8,764,614	12,447,589
1888-89	846,943*	631,812	—	1,688,558	3,331,870	6,499,183	9,523,141	1,815,113*	2,659,654	8,314,296	12,182,795
1889-90	787,127	861,500	52,522	1,687,780	3,007,615	6,396,544	9,266,988	1,615,175	2,339,983	8,011,719	11,606,971
1890-91	848,531	865,342	122,845	1,690,632	3,023,388	6,550,738	8,691,197	1,623,762	2,154,328	8,174,500	10,845,525
1891-92	856,697	1,005,952	157,919	1,693,388	2,795,917	6,509,873	9,336,867	1,528,238	2,191,894	8,038,111	11,528,761
1892-93	887,472	1,017,092	205,099	1,696,651	2,804,648	6,610,962	10,588,284	1,502,084	2,405,776	8,113,046	12,994,060
1893-94	918,264	997,463	216,948	1,695,547	2,834,355	6,662,577	10,992,355	1,568,435	2,587,706	8,231,012	13,580,061
1894-95	929,190	983,212	218,884	1,702,668	2,834,234	6,668,188	12,216,015	1,663,447	3,047,409	8,331,635	15,263,424
1895-96	943,030	980,020	218,884	1,705,396	2,843,482	6,690,812	11,774,288	1,679,665	2,955,823	8,370,477	14,730,111
1896-97	962,752	975,589	218,884	1,712,600	2,883,494	6,759,319	11,226,104	1,661,952	2,760,226	8,421,271	13,986,330
1897-98	991,445	971,045	218,884	1,712,419	2,939,563	6,833,356	10,681,353	1,769,979	2,766,689	8,603,335	13,448,042
1898-99	1,006,622	966,906	218,884	1,714,016	2,974,409	6,880,837	10,335,170	1,799,244	2,702,505	8,680,081	13,037,675

* In 1887-88 and 1888-89 special payments were made in connexion with the conversion of India 4 per cent. into 3½ per cent. Stock, as explained at page 35 of the Home Accounts laid before Parliament in 1889.

No. 12.

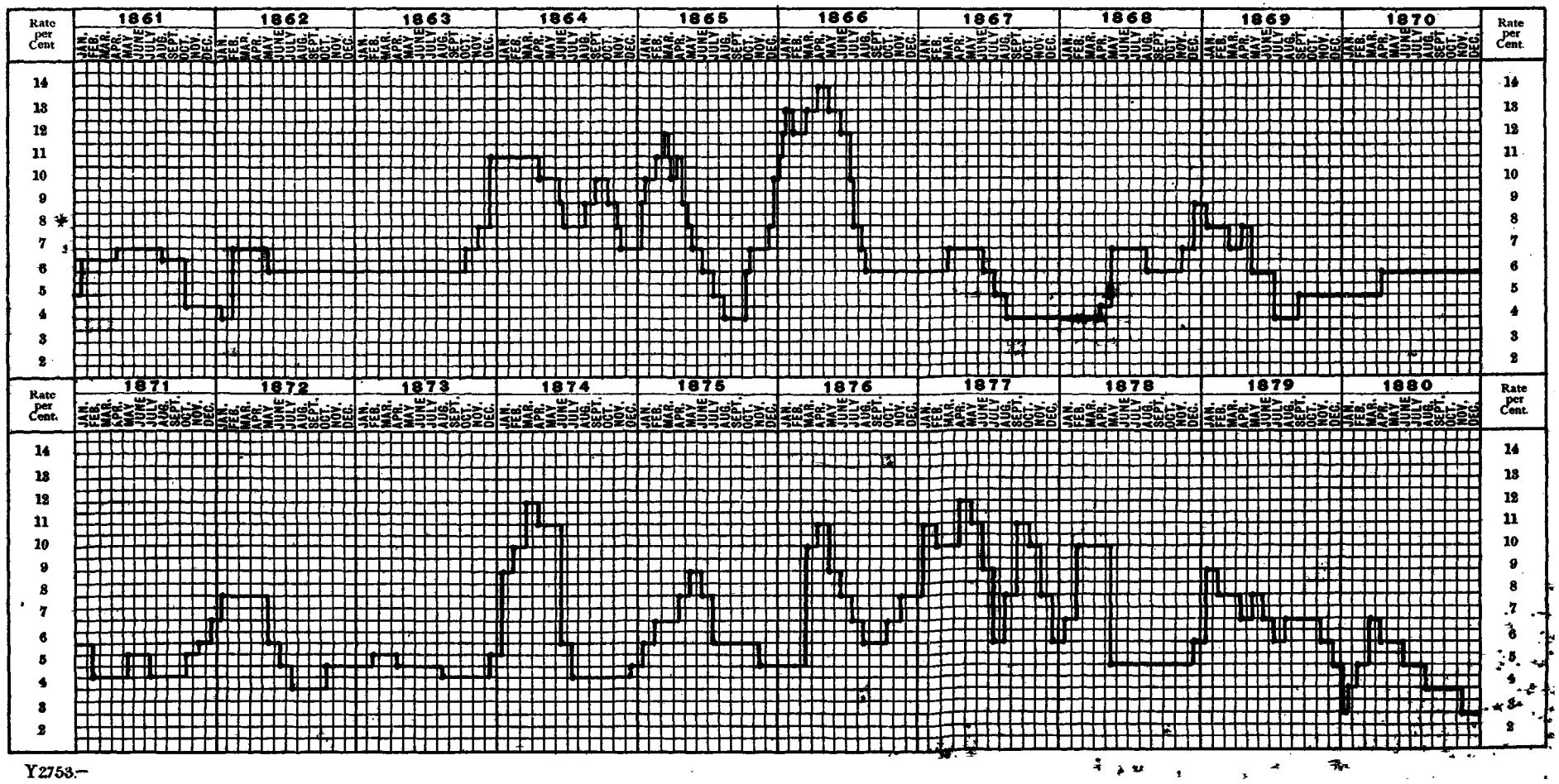
PRICE of SILVER; RATE of EXCHANGE; CHARGE for EXCHANGE; SURPLUS or DEFICIT in ACCOUNTS of GOVERNMENT of INDIA, 1872–73 to 1898–99.

Year.	Average Price of Silver in London, per oz.	Average Rate per Rupee at which Bills and Telegraphic Transfers on India were sold by the Secretary of State.	Charge for Exchange.					Excess in Total Charge for Exchange, over Charge in previous Year.	Surplus *or* *Deficit* (−) of the Year.	Remarks.
			On net Sterling Expenditure.	On Remittance Transactions.	Additional Payment to European Soldiers on Account of Exchange.	Compensation to Officers.	Total.			
	d.	*d.*	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
1872–3	60 5/16	22·754	686,568	Not shown in the accounts under the form now adopted.	—	—	686,568	—	1,765,672	Commencement of decline in price of silver.
1873–4	59¼	22·351	904,878		—	—	904,878	218,310	*−1,807,668*	Demonetisation of silver by the German Government.
1874–5	58 5/16	22·156	1,045,239		—	—	1,045,239	140,361	319,197	
1875–6	56⅞	21·626	1,377,428	57,058	—	—	1,434,486	389,247	1,589,255	
1876–7	52¾	20·508	2,252,611	205,423	—	—	2,458,034	1,023,548	*−2,584,476*	
1877–8	54 13/16	20·791	2,123,030	147,105	—	—	2,270,135	*−187,899*	*−4,262,040*	Famine in India.
1878–9	52 9/16	19·794	2,891,902	225,959	—	—	3,117,861	847,726	2,134,098	
1879–80	51¼	19·961	2,878,169	79,075	—	—	2,957,244	*−160,617*	*−1,227,893*	Suspension of sales of silver by the German Government. Diminution in production of Californian mines.
1880–1	52¼	19·956	2,264,848	7,562	—	—	2,272,410	*−684,834*	*−3,631,394*	
1881–2	51 11/16	19·895	2,421,499	91,240	—	—	2,512,739	240,329	3,595,451	Monetary conference in Paris.
1882–3	51⅝	19·525	3,050,923	64,640	—	—	3,115,563	602,824	674,837	
1883–4	50 9/16	19·536	3,375,158	*−60,817*	46,000	—	3,360,341	244,778	1,879,477	
1884–5	50⅝	19·308	3,363,986	*−12,383*	184,300	—	3,535,903	175,562	*−386,446*	
1885–6	48⅝	*18·254	4,329,888	*−264,878*	224,300	—	4,289,810	753,907	*−2,301,726*	Suspension of coinage of the Bland dollar recommended by the President of the United States.
1886–7	45⅛	17·441	5,329,714	26,302	275,800	—	5,631,816	1,342,006	178,427	Great depression in trade.
1887–8	44⅛	16·898	6,356,939	*−744,471*	436,900	—	6,049,368	417,552	*−2,028,832*	
1888–9	42⅞	16·379	6,817,599	*−951,453*	517,000	—	6,383,146	333,778	37,018	
1889–90	42 11/16	16·566	6,512,767	*−386,744*	631,900	—	6,757,923	374,777	2,612,033	
1890–1	47 11/16	18·089	4,959,055	*−78,198*	587,200	—	5,468,057	*−1,289,866*	3,688,171	Purchases of silver by the United States Treasury raised to 54,000,000 ounces a year.
1891–2	45 7/16	16·733	6,825,209	*−31,529*	407,200	—	7,200,880	1,732,823	467,535	
1892–3	39 1/16	14·985	9,694,776	*−19,686*	612,200	—	10,287,290	3,086,410	*−633,412*	Monetary conference in Brussels.
1893–4	35 6/16	14·547	10,159,577	*−106,920*	852,200	618,468	11,523,325	1,236,035	*−1,546,998*	Indian mints closed to free coinage of silver. Repeal of purchasing clauses of Sherman Act in the United States.
1894–5	28 15/16	13·101	12,899,068	*−227,675*	1,134,300	1,239,275	15,044,968	3,521,643	693,110	Duty of 5 per cent. imposed on most imports into India, including silver. War between China and Japan.
1895–6	29⅜	13·638	11,685,223	*−178,806*	1,156,400	1,327,632	13,990,949	*−1,054,019*	1,533,998	
1896–7	30⅛	14·451	10,222,256	*−144,233*	1,103,200	935,176	12,116,399	*−1,874,550*	*−1,705,022*	Election in the United States, and defeat of the free silver candidate. Extensive coinage of silver by Russia.
1897–8	27 9/16	15·354	9,012,506	*−43,970*	907,900	685,865	10,562,301	*−1,554,098*	*−5,259,211*	Famine in India, and war with tribes on the North-West Frontier.
1898–9	26 13/16	15·978	8,045,600	*−54,000*	778,400	483,600	9,253,600	*−1,308,701*	4,059,400	

* The average price of silver is given for the calendar year ending on the 31st December preceding the end of the official year.

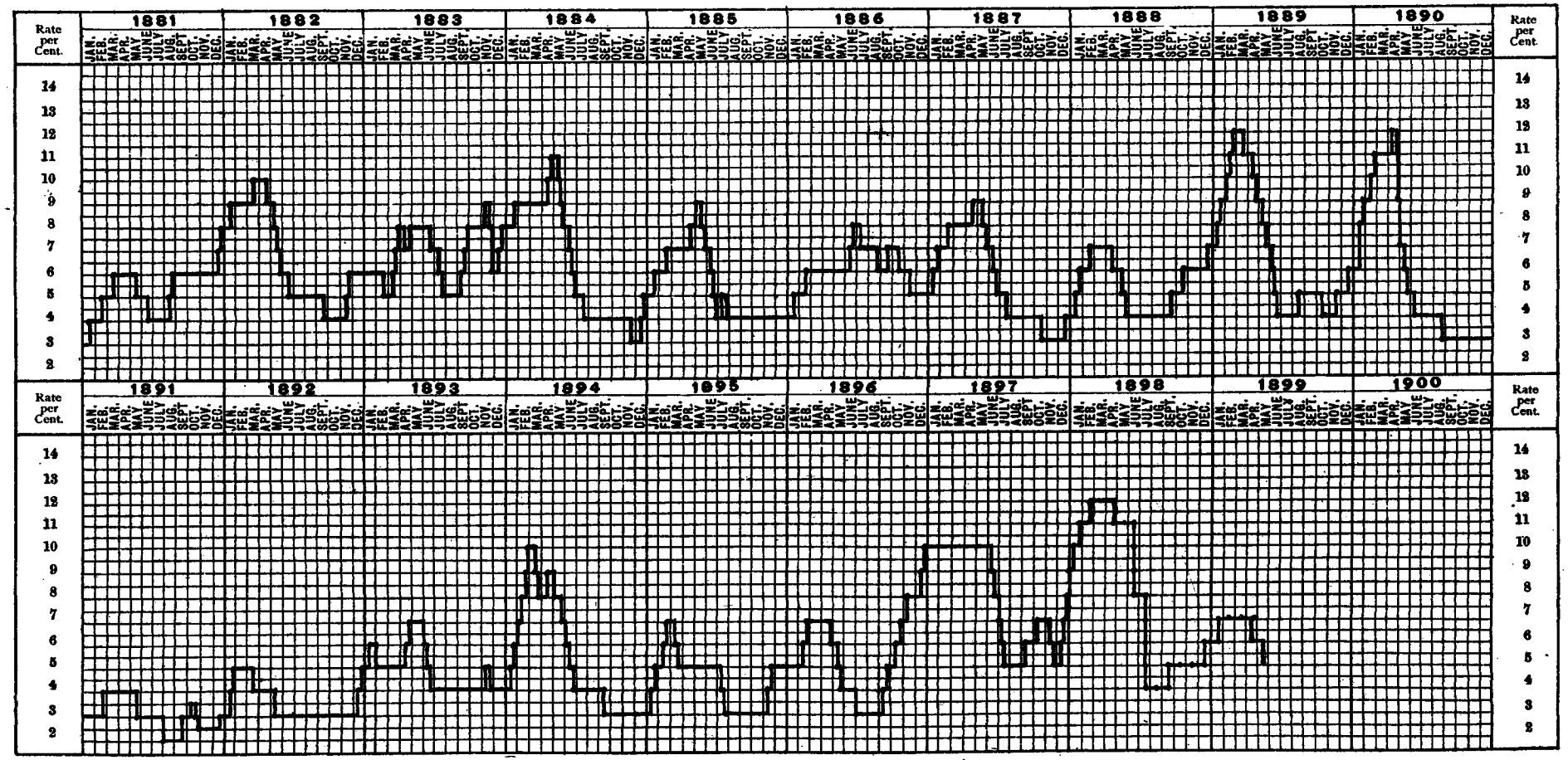
No. 13.

Rate of Discount at the Presidency Bank of Bengal.



No. 13. (*continued*).

Rate of Discount at the Presidency Bank of Bengal.



No. 14.

BANK OF BENGAL.

AVERAGE MINIMUM RATE of INTEREST from 1854.

Half-year ending	Average Rate per Cent. per Annum for the Half-year.	Average Rate for the Year.	Half-year ending	Average Rate per Cent. per Annum for the Half-year.	Average Rate for the Year.
1854.—30th June	4·375	4·033	1876.—30th June	7·333	6·666
31st December	3·491		31st December	6·000	
1855.—30th June	9·159	9·704	1877.—30th June	9·500	8·416
31st December	10·250		31st December	7·333	
1856.—30th June	9·515	6·512	1878.—30th June	6·530	5·430
31st December	3·510		31st December	4·331	
1857.—30th June	6·707	6·994	1879.—30th June	7·355	6·384
31st December	7·282		31st December	5·413	
1858.—30th June	7·602	6·143	1880.—30th June	5·384	4·645
31st December	4·684		31st December	3·913	
1859.—30th June	5·679	4·874	1881.—30th June	4·862	5·289
31st December	4·070		31st December	5·717	
1860.—30th June	5·466	4·233	1882.—30th June	8·177	6·599
31st December	3·000		31st December	5·022	
1861.—30th June	4·364	4·171	1883.—30th June	6·994	6·770
31st December	3·978		31st December	6·546	
1862.—30th June	5·447	5·139	1884.—30th June	8·818	6·379
31st December	4·831		31st December	3·945	
1863.—30th June	4·500	5·508	1885.—30th June	6·757	5·378
31st December	6·516		31st December	4·000	
1864.—30th June	9·697	8·652	1886.—30th June	5·922	6·036
31st December	7·608		31st December	6·150	
1865.—30th June	8·712	6·940	1887.—30th June	7·470	5·630
31st December	5·168		31st December	3·800	
1866.—30th June	12·022	9·144	1888.—30th June	5·730	5·450
31st December	6·266		31st December	5·180	
1867.—30th June	6·000	5·048	1889.—30th June	9·309	6·991
31st December	4·097		31st December	4·674	
1868.—30th June	5·000	5·833	1890.—30th June	8·298	5·806
31st December	6·666		31st December	3·315	
1869.—30th June	7·250	5·958	1891.—30th June	3·500	3·061
31st December	4·666		31st December	2·622	
1870.—30th June	5·500	5·750	1892.—30th June	3·884	3·496
31st December	6·000		31st December	3·108	
1871.—30th June	5·000	4·750	1893.—30th June	5·685	4·880
31st December	4·500		31st December	4·076	
1872.—30th June	6·666	5·083	1894.—30th June	7·315	5·339
31st December	3·500		31st December	3·364	
1873.—30th June	4·142	3·904	1895.—30th June	5·060	4·326
31st December	3·666		31st December	3·592	
1874.—30th June	8·666	6·166	1896.—30th June	5·775	5·691
31st December	3·666		31st December	5·608	
1875.—30th June	6·500	5·666	1897.—30th June	9·884	7·925
31st December	4·833		31st December	5·967	
			1898.—30th June	11·000	8·048
			31st December	5·097	

No. 15.

DATES of CHANGES in the MINIMUM RATE of INTEREST of the BANK of BENGAL from 1874.

Date.	Rate.
1874.	Per cent.
January 2	5½
„ 7	7
„ 15	8
February 7	9
March 10	10
„ 17	11
April 16	10
May 21	9
June 4	7
„ 11	6
„ 18	5
July 9	4
„ 16	3½
November 20	4
1875.	
January 7	5
February 25	6
March 25	7
April 29	8
May 13	9
„ 27	8
June 3	7
July 1	6
„ 22	5
November 11	4
1876.	
January 6	5
March 2	7
„ 9	8
„ 30	9
April 6	10
„ 13	11
„ 27	10
May 11	9
„ 18	8
June 22	7
July 20	6
August 3	5
September 21	6
November 16	7
December 28	8
1877.	
January 8	9
„ 11	10
February 8	9
April 12	10
„ 19	11
May 10	12
„ 24	10
„ 31	9
June 14	8
„ 21	7
„ 28	6
July 5	5
August 2	6
„ 23	7
„ 30	8
September 6	9
„ 27	10
October 25	9
November 8	8
„ 29	7
December 6	6
13	5
1878.	
January 24	6
February 6	7
„ 14	8
„ 21	9
April 25	7
May 2	6
„ 9	5
„ 16	4
November 7	3
„ 28	4
December 5	5
1879.	
January 2	6
„ 9	7
January 16	8
February 13	7
March 27	8
April 3	9
„ 24	8

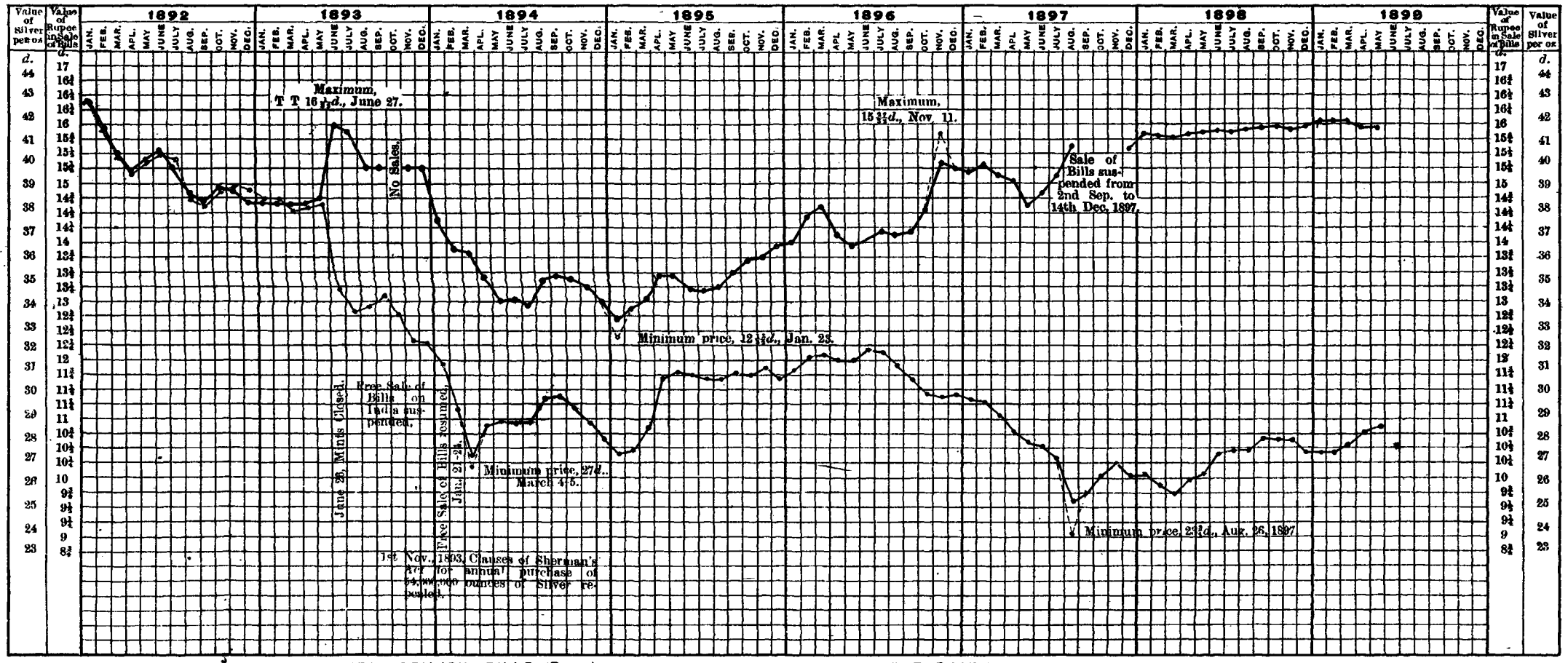
Date.	Rate.
1879.	Per cent.
May 1	7
„ 15	6
„ 29	7
June 19	6
July 10	5
August 14	6
November 12	5
December 11	4
„ 31	3
1880.	
January 22	4
February 19	5
„ 26	6
March 4	7
April 15	6
June 3	5
August 19	4
October 28	3
1881.	
January 20	4
February 17	5
March 3	6
May 12	5
June 2	4
August 13	5
„ 20	6
December 5	7
„ 20	8
1882.	
January 5	9
March 27	10
April 13	9
May 4	8
„ 18	7
„ 25	6
June 8	5
September 28	4
November 9	5
„ 16	6
1883.	
February 1	5
March 2	6
„ 8	7
„ 15	8
April 7	7
„ 19	8
June 28	7
July 5	6
„ 26	5
September 13	6
„ 20	7
„ 27	8
November 22	6
December 13	7
„ 29	8
1884.	
January 21	9
April 8	10
„ 22	11
May 10	10
„ 15	9
„ 29	8
June 12	7
„ 19	6
„ 26	5
July 17	4
November 6	3
December 11	4
„ 23	5
1885.	
January 15	6
February 26	7
April 9	8
May 5	9
„ 21	8
„ 28	7
June 4	6
„ 18	5
July 2	4

Date.	Rate.
1886.	Per cent.
January 28	5
February 4	6
June 5	7
„ 10	8
July 22	7
August 5	6
September 30	7
October 21	6
November 13	5
1887.	
January 6	6
„ 13	7
February 10	8
April 7	9
May 12	8
„ 26	7
June 2	6
„ 23	5
July 21	4
October 13	3
December 8	4
1888.	
January 12	5
„ 26	6
February 9	7
April 26	6
May 10	5
„ 25	4
September 13	5
October 4	6
December 13	7
1889.	
January 3	8
„ 7	9
„ 17	10
February 7	11
„ 21	12
March 28	11
April 4	10
„ 11	9
May 23	8
„ 30	7
June 6	6
„ 20	5
„ 27	4
August 22	5
October 17	4
November 14	5
December 12	6
1890.	
January 9	8
„ 16	9
February 10	10
„ 27	11
April 14	12
„ 17	11
„ 24	9
May 1	7
„ 8	6
„ 30	5
June 5	4
August 28	3
1891.	
February 26	4
May 28	3
August 6	2
September 24	3
October 8	3½
„ 22	3
„ 29	2½
December 23	3
1892.	
January 21	4
„ 28	5
March 17	4
May 12	3
December 15	4
„ 29	5

Date.	Rate.
1893.	Per cent.
January 5	6
February 2	5
April 13	6
„ 27	7
June 1	6
„ 15	5
„ 29	4
November 16	5
„ 30	4
1894.	
January 11	5
„ 18	6
February 1	7
„ 6	8
„ 8	9
„ 27	10
March 15	9
„ 29	8
April 19	9
May 3	8
„ 24	7
„ 31	6
June 14	5
„ 28	4
September 6	3
1895.	
January 17	4
„ 25	5
February 14	6
„ 19	7
March 7	6
„ 21	5
July 4	4
„ 25	3
November 14	4
„ 28	5
1896.	
February 6	6
„ 20	7
April 30	6
May 21	5
„ 28	4
July 2	3
September 3	4
„ 17	5
October 8	6
„ 17	7
November 3	8
December 8	9
„ 23	10
1897.	
June 17	9
„ 24	8
July 1	7
„ 8	6
„ 15	5
September 9	6
October 7	7
November 18	6
„ 25	5
December 16	6
„ 21	7
„ 23	8
„ 30	9
1898.	
January 6	10
„ 11	11
February 24	12
April 28	11
June 2	10
„ 16	9
„ 30	8
July 7	7
„ 13	6
„ 21	5
„ 28	4
September 8	5
December 8	6
1899.	
January 5	7
April 13	6
May 24	5

No 16

This Diagram shows the Intrinsic **and Exchange values of the Rupee, together with the London price of** Silver **per ounce standard.**
(The quantity of fine Silver contained in a Rupee is 165 grains.)


1892
1893
1894
1895
1896
1897
1898
1899
JAN. FEB. MAR. APL. MAY JUNE JULY AUG. SEP. OCT. NOV. DEC.
Value of Silver per oz
Value of Rupee in Sale of Bills
d.
Maximum, T T 16 1/16d., June 27.
No Sales.
June 26, Mints Closed.
Free Sale of Bills on India suspended.
Free Sale of Bills resumed, Jan. 21-24.
Minimum price, 27d., March 4-5.
15th Nov., 1893, Clauses of Sherman's Act for annual purchase of 54,000,000 ounces of Silver repealed.
Minimum price, 12 1/16d., Jan. 23.
Maximum, 15 3/16d., Nov. 11.
Sale of Bills suspended from 2nd Sep. to 14th Dec. 1897.
Minimum price, 23 1/16d., Aug. 26, 1897

Y 2753.—

INDIA COUNCIL BILLS (Black).

The values are taken at the mean price between the Highest and Lowest Minimum accepted rate in each month.

BAR SILVER (Red).

The values are taken at the mean price between the highest and lowest in each month.

The average exchange value of the Rupee realised by sale of Council Bills was in

	d.
1892-3	14·985
1893-4	14·547
1894-5	13·101
1895-6	13·638
1896-7	14·451
1897-8	15·354
1898-9	15·978

No. 17.

Price (in Rupees) of Bar Silver in Bombay, 1833 to 1899.

	Price of Bar Silver in Bombay. Rupees per 100 Tolas.					
	1893–94.	1894–95.	1895–96.	1896–97.	1897–98.	1898–99.
	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
April	—	89 11 5/6	97 5 1/3	93 4 8/23	81 7 13/23	70 6 11/23
May	—	96 4 3/18	99 3 15/26	94 15 3/25	81 3 9/23	70 10 7/24
June	106 4	95 15 1/18	95 8 23/25	95 5 18/25	80 11 7/11	73 0 3/26
July	99 0 12/25	95 12 14/25	98 6 1/18	95 7 8/9	78 1 7/27	73 14 3/26
August	99 14	94 13 2/25	98 6 19/24	94 10 7/24	70 9 14/23	74 0 16/25
September	95 6 6/7	93 5 5/7	96 3 11/21	91 14 1/11	72 1 11/23	75 2 20/23
October	91 12 1/3	93 5 1/24	96 5 22/25	88 7 11/13	73 7 9/11	75 0 8/25
November	88 8 20/23	93 9 8/18	95 15 9/18	84 9 6/11	74 0 5/4	74 8 20/23
December	92 4 3/11	92 7 1/10	93 14 4/11	84 3 12/23	76 9	73 13 9/23
January	89 1 19/25	92 9 9/25	93 10 16/25	83 7 5/6	72 3 5/6	72 8 1/2
February	87 3 12/23	92 14 4/23	93 7 15/25	84 6 7/24	71 13 1/8	73 2 7/24
March	84 11 7/23	91 12	92 9 1/12	83 9 1/3	71 3	73 15 13/23

NOTE.—The figures represent the monthly average of daily quotations.

No. 18.

Price of Bar Gold in India from June 1893.

Price per tola of Bar Gold of 100 touch (one tola of Gold containing 180 grains fine).

	1893.	1894.	1895.	1896.	1897.	1898.	1899.
	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
January	—	25 12	29 15	27 8 1/2	25 4	24 5	23 15
February	—	27 12	29 10	26 15	25 6	24 3	24 1
March	—	27 8	29 5	26 6	25 11	24 4	24 0
April	—	28 0	28 10	27 1	25 11	24 5	24 0 3/4
May	—	29 7 1/2	28 14	27 13 1/2	26 9	24 5 1/2	
June	25 13	29 6	28 12 1/2	27 0 1/2	26 3	24 6	
July	Nom.	29 15	29 0 1/2	27 0 1/2	25 8	24 5	
August	25 8	29 9	28 11 1/2	27 0	24 14	24 3	
September	25 10	28 8	28 13 1/2	27 1	24 10	24 0	
October	25 7	28 10 1/2	27 15	26 13	24 10	24 2	
November	25 3	28 10	27 15 1/4	24 14	24 10	24 1 1/2	
December	25 7	29 4 1/2	27 11 1/2	25 7	25 2	23 15	

NOTE.—The figures are taken at or about the end of the first fortnight in each month.

No. 19.

COINAGE of SILVER in INDIA.

1. Year.	2. Value of Total Coinage.	3. Value of Old Rupees re-coined, included in Total Coinage.	4. Value of Bar Silver received at the Mints for Coinage.	5. Country Silver and Ornaments.	Remarks on Column 5.
	Rx.	Rx.	Rx.		
1850-51	2,616,417	941,488	3,249,872	—	
1851-52	4,248,491	929,518	4,655,428	—	
1852-53	5,509,965	392,684	5,886,441	—	
1853-54	5,253,437	646,610	4,056,556	—	
1854-55	1,365,901	531,859	1,084,916	—	
1855-56	6,973,659	349,212	8,640,815	—	
1856-57	10,779,286	440,721	11,379,145	—	
1857-58	12,551,303	452,682	11,758,545	—	
1858-59	6,542,267	123,561	6,053,291	—	
1859-60	10,677,924	2,068,314	11,426,990	—	
1860-61	5,192,328	105,468	4,130,533	—	
1861-62	7,070,830	783,079	8,887,248	—	The Mint Report for 1876-77, says: "In transmitting accounts for 1875-76 no reference was made to country silver and ornaments tendered for coinage by native merchants. This was because the quantity tendered was not so excessive as to render any special remarks necessary." The Report then gives the monthly receipts from April 1876 to July 1877, and remarks that these bring the total amount tendered under the pressure of famine since November 1876 to about half a crore of rupees.
1862-63	9,251,468	103,908	11,357,047	—	
1863-64	11,477,425	77,035	9,693,271	—	
1864-65	10,358,423	425,455	9,320,698	—	
1865-66	14,507,049	132,277	14,500,171	—	
1866-67	6,118,857	64,254	5,814,453	—	
1867-68	4,313,285	71,796	4,321,036	—	
1868-69	4,207,031	62,275	5,842,846	—	Report for 1877-78, says: "A distinguishing feature of the year's work was the enormous number of small country silver tenders * * * Before 1876 the tenders of native silver may be said to have been nil, but towards the close of that year the silver began to pour in; in November, ¾ lakh was tendered; in December, 1 lakh; in January, February, March, April, May, and June 1897, 1, 2, 3, 6, 8, and 11⅓ lakhs, respectively, were tendered, until in September the maximum of 19 lakhs was reached."
1869-70	7,473,560	91,664	6,732,378	—	
1870-71	1,718,197	89,993	1,071,549	—	
1871-72	1,690,394	36,014	4,209,526	—	
1872-73	3,980,927	64,739	1,964,525	—	
1873-74	2,370,007	36,048	2,705,147	—	
1874-75	4,896,884	55,891	4,750,076	—	
1875-76	2,550,218	32,423	2,041,368	—	
1876-77	6,271,122	21,734	7,887,722	Bombay 851,799 tolas.	
1877-78	16,180,326	89,483	17,328,578	„ 124 lakhs.	Report for 1880-81, says: "In former years, before the great famine of 1877-78, the amount of silver thus tendered was very trifling in amount, scarcely affecting the Mint work."
1878-79	7,210,770	67,581	6,624,940	„ 116 „	
1879-80	10,256,968	84,933	9,556,719	„ 92 „	
1880-81	4,249,675	160,984	3,346,194	„ 10 „	
1881-82	2,186,274	738,673	2,952,230	„ 4 „	Report for 1881-82, says: "The diminished tenders of local silver ornaments and coins probably afford some proof of the revival of wealth in those districts which had been impoverished by famine."
1882-83	6,508,457	830,272	5,967,761	„ ½ „	
1883-84	3,663,400	534,586	3,773,209	„ ½ „	
1884-85	5,794,232	252,396	6,696,759	„ 18,67,751 tolas. Calcutta ⅛ lakh.*	* Cake silver from ornaments, &c.
1885-86	10,285,566	462,441	9,432,009	Bombay 3,19,382 tolas.	Country silver, chiefly ornaments.
1886-87	4,616,537	100,649	4,860,948	„ 13¼ lakhs. Calcutta 0·35 „ †	† Burmese ornaments from Mandalay Prize Committee.
1887-88	10,788,425	653,272	11,178,651	Bombay 2¾ „	
1888-89	7,312,255	738,788	7,545,518	„ 10 „	
1889-90	8,551,158	619,042	8,666,579	„ 8 73 „	
1890-91	13,163,474	305,195	12,929,515	„ 7·18 „	
1891-92	5,553,974	217,296	6,455,969	„ 7·03 „ „ 3·47 „	
1892-93	12,691,526	206,916	12,346,935	Calcutta 0·09 „ London silver ornaments 0·18 lakhs.	
1893-94	4,812,500	282,893	4,488,129	—	Mints closed for free coinage of silver, 26th June 1893.
1894-95	94,595	66,795‡	—	—	
1895-96	292,713§	294,160‡	—	—	
1896-97	573,353§	698,040‡	—	—	
1897-98	499,219§	606,881‡	—	—	
1898-99	380,405§	551,979‡	—	—	

‡ Value of old rupees received for re-coinage.

§ These figures do not include the British dollars which, under an agreement between the Secretary of State for India on the one side and the Hong Kong and Shanghai Banking Corporation and the Chartered Bank of India, Australia, and China on the other side, are coined at the Bombay Mint for circulation in Hong Kong and the Straits Settlements. The number of British dollars coined was as follows: 1895-96, 3,316,063; 1896-97, 6,135,617; 1897-98, 21,286,427; 1898-99, 21,545,564. For native states there was in 1897-98, a coinage of Rx. 486,472, and in 1898-99 a coinage of Rx. 417,960.

No. 20.

GOVERNMENT CASH BALANCES in INDIA on the last Day of each MONTH.

YEARS.	April.	May.	June.	July.	August.	September.	October.	November.	December.	January.	February.	March.	Adjusted Balance for the last Month of the Official Year.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1876-77 - -	16,644,433	17,183,729	17,210,353	15,706,483	13,648,356	11,769,784	11,693,052	10,839,738	10,250,687	11,969,970	12,002,730	12,895,200	12,750,698
1877-78 - -	12,414,700	12,157,600	13,023,000	13,616,600	11,608,000	9,893,500	8,785,600	9,386,600	10,020,200	13,451,600	13,780,300	14,802,900	14,498,302
1878-79 - -	13,308,700	12,720,600	13,526,200	14,408,100	12,589,800	10,801,800	9,391,800	9,362,600	10,149,300	12,492,400	12,927,400	12,674,400	12,792,153
1879-80 - -	12,056,600	14,189,100	15,949,100	16,973,700	15,593,100	14,567,700	12,617,100	11,573,900	12,064,500	13,594,100	13,080,200	13,029,500	13,029,894
1880-81 - -	11,852,800	10,933,300	13,470,600	14,643,200	12,646,900	11,814,000	9,275,400	9,196,300	9,674,200	11,781,300	11,720,000	13,371,100	13,371,101
1881-82 - -	11,927,200	11,532,800	13,078,000	13,184,900	13,935,200	12,872,000	11,464,000	12,161,700	12,200,600	14,093,100	14,404,500	14,522,800	14,522,913
1882-83 - -	13,049,600	13,129,900	14,787,700	15,257,000	14,031,700	12,754,200	11,938,200	14,383,700	15,779,200	14,863,600	14,386,300	14,821,600	14,821,550
1883-84 - -	13,171,300	12,892,900	15,086,200	13,511,800	12,910,100	12,734,600	11,422,700	10,788,500	11,134,700	12,781,100	12,100,800	13,199,900	13,199,926
1884-85 - -	11,445,000	11,536,400	13,111,100	12,284,500	10,751,600	10,066,300	9,447,200	9,111,400	10,001,400	12,675,100	12,109,400	12,540,600	12,540,532
1885-86 - -	10,510,600	10,966,200	12,645,200	12,363,800	11,173,800	10,868,600	9,171,400	7,949,700	8,059,000	11,862,800	11,812,900	12,754,500	12,754,478
1886-87 - -	11,650,200	12,577,900	14,082,900	14,372,100	12,503,800	11,625,100	10,718,000	10,309,600	10,671,900	11,990,400	12,009,600	13,195,700	13,195,785
1887-88 - -	11,074,800	10,706,100	12,026,100	11,329,600	11,829,400	10,780,300	10,375,500	10,558,000	10,298,700	13,222,800	13,219,000	13,883,700	13,883,701
1888-89 - -	12,118,300	11,813,300	13,498,300	15,412,500	13,278,400	12,719,200	10,379,700	9,349,600	9,870,400	11,418,200	11,313,300	13,305,100	13,305,189
1889-90 - -	12,941,200	12,589,300	13,372,900	12,702,200	12,814,400	11,073,400	9,333,300	9,006,100	9,852,700	12,293,600	13,486,400	14,748,900	14,748,821
1890-91 - -	12,328,900	12,788,900	13,883,800	13,589,000	12,255,100	11,430,700	10,142,900	9,668,900	11,025,800	15,153,400	16,207,000	17,876,100	17,876,244
1891-92 - -	16,192,700	15,816,100	16,284,400	14,966,500	13,699,400	12,593,500	10,445,200	10,010,700	10,589,300	14,210,100	15,044,100	17,287,000	17,287,005
1892-93 - -	15,415,500	16,023,500	16,198,500	14,911,300	13,280,400	11,489,400	10,209,300	9,100,000	9,543,400	12,700,600	13,434,800	15,274,500	15,271,756
1893-94 - -	13,310,100	13,947,800	14,875,900	14,068,000	15,458,400	16,684,000	16,340,300	15,238,100	18,268,700	23,802,100	25,019,200	25,565,100	25,565,588
1894-95 - -	24,472,800	23,286,600	25,016,200	23,581,900	22,128,900	19,906,900	17,518,500	16,335,400	17,104,200	20,770,200	20,943,500	22,529,400	22,529,488
1895-96 - -	20,477,000	20,059,900	21,202,700	19,140,200	16,824,000	13,751,700	11,260,300	10,766,800	10,669,200	13,872,100	14,705,400	16,496,700	16,500,510
1896-97 - -	15,054,300	14,953,100	14,535,700	15,636,200	14,211,000	12,569,500	9,796,700	7,453,800	9,620,700	11,949,600	11,835,300	13,864,000	13,873,752
1897-98 - -	12,413,200	11,800,400	11,184,700	9,253,000	8,504,300	7,620,000	8,079,300	8,076,400	9,971,000	12,946,400	14,148,500	15,983,400	15,982,443
1898-99 - -	13,724,100	12,806,500	15,188,400	14,978,200	14,370,600	13,997,200	11,843,200	11,272,900	11,524,200	14,194,800	14,225,000	16,761,000	

No. 21.

STATEMENT of the MONTHLY CASH BALANCES held in INDIA by GOVERNMENT and by PRESIDENCY BANKS, distinguishing, as far as practicable, the BALANCES in the HEAD OFFICES of the PRESIDENCY BANKS and those held elsewhere.

End of	Government Balances.				Balances of the Presidency Banks.			
	In the Head Offices of the Presidency Banks.	In the Reserve Treasuries.	In the District and other Treasuries.	Total.	Bengal.		Madras.	Bombay.
					Head Office.	Branches.	Head Office and Branches.	Head Office and Branches.
1888.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
April	1,723,900	1,418,100	8,976,300	12,118,300	857,509	1,636,305	789,518	1,353,115
May	1,766,000	998,900	9,048,400	11,813,300	1,585,953	1,526,526	807,975	1,349,814
June	2,072,900	1,052,700	10,372,800	13,498,300	1,642,017	2,089,333	883,649	1,696,676
July	1,952,300	3,645,100	9,815,100	15,412,500	1,370,363	1,899,041	739,188	1,365,206
August	1,664,600	2,798,800	8,815,000	13,278,400	1,434,452	1,805,462	805,893	1,529,428
September	1,934,500	2,297,900	8,486,800	12,719,200	832,318	1,637,602	743,894	1,275,601
October	1,491,700	1,502,000	7,386,000	10,379,700	1,024,066	1,330,560	704,037	897,604
November	1,300,200	790,400	7,259,000	9,349,600	911,936	1,357,343	736,500	863,845
December	1,712,400	587,700	7,570,300	9,870,400	877,055	1,011,790	780,619	797,331
1889.								
January	1,529,900	692,400	9,195,900	11,418,200	819,473	1,272,919	590,949	851,025
February	1,618,200	588,600	9,106,500	11,313,300	651,451	994,027	654,322	856,871
March	1,428,400	1,338,700	10,538,000	13,305,100	775,601	639,863	655,126	1,079,537
April	1,768,700	1,425,400	9,747,100	12,941,200	714,663	976,620	616,794	845,066
May	1,621,400	824,300	10,143,600	12,589,300	927,935	1,046,986	702,083	846,979
June	1,551,000	1,227,100	10,594,800	13,372,900	872,419	1,614,585	815,924	1,179,545
July	1,719,400	875,500	10,107,300	12,702,200	1,161,140	2,350,160	746,071	1,475,203
August	1,640,500	1,726,000	9,447,900	12,814,400	944,953	1,516,960	719,212	1,159,190
September	2,044,700	869,800	8,158,900	11,073,400	1,057,119	1,504,261	784,221	1,815,476
October	1,399,100	1,036,400	6,897,800	9,333,300	1,181,454	1,414,939	859,100	1,732,200
November	1,640,400	987,600	6,378,100	9,006,100	912,784	962,590	813,034	1,878,583
December	1,798,300	754,700	7,299,700	9,852,700	905,773	995,121	771,914	819,261
1890.								
January	1,682,600	1,415,900	9,195,100	12,293,600	763,256	1,012,696	758,808	839,708
February	1,629,100	1,884,600	9,972,700	13,486,400	523,002	873,681	814,905	768,146
March	1,758,900	1,316,600	11,673,400	14,748,900	679,954	785,561	795,154	819,889
April	1,606,400	1,381,700	9,340,800	12,328,900	1,358,975	796,462	781,931	1,284,908
May	1,539,400	2,124,700	9,124,700	12,788,800	1,114,361	1,019,868	694,910	1,000,370
June	1,550,700	2,097,200	10,235,900	13,883,800	1,829,900	1,534,070	856,741	1,128,951
July	1,572,300	2,393,700	9,623,000	13,589,000	2,184,451	1,748,492	913,278	1,696,910
August	1,526,600	1,793,900	8,934,600	12,255,100	2,473,611	2,193,352	1,245,077	2,335,134
September	1,571,700	1,518,400	8,340,600	11,430,700	3,191,279	2,393,444	1,389,300	4,195,268
October	1,562,200	1,746,600	6,834,100	10,142,900	3,338,010	2,339,531	1,329,274	5,045,546
November	1,777,600	1,358,600	6,532,700	9,668,900	4,434,012	2,064,584	1,326,175	5,822,614
December	2,003,900	1,124,600	7,897,300	11,025,800	4,043,335	2,218,793	1,402,926	5,836,156
1891.								
January	1,609,300	3,783,700	9,760,400	15,153,400	2,586,110	2,193,126	1,832,264	5,277,682
February	1,657,000	4,437,800	10,112,200	16,207,000	2,651,737	1,912,822	1,636,917	3,052,378
March	1,446,100	4,311,100	12,118,900	17,876,100	2,594,726	1,482,179	1,148,665	2,354,843
April	1,434,500	4,306,100	10,452,100	16,192,700	2,460,993	1,902,775	1,211,957	2,587,121
May	1,547,700	4,156,500	10,111,900	15,816,100	3,103,390	2,214,198	1,444,914	2,237,101
June	1,620,500	3,070,700	11,593,200	16,284,400	3,836,151	2,650,300	1,493,997	2,888,392
July	1,535,400	3,078,500	10,352,600	14,966,500	4,101,951	2,540,986	1,768,056	3,526,799
August	1,488,500	2,347,200	9,863,700	13,699,400	4,269,441	2,744,163	1,623,759	3,564,502
September	1,856,400	1,863,900	8,873,200	12,593,500	2,751,507	2,339,362	1,525,026	4,464,783
October	1,572,400	1,565,900	7,306,900	10,445,200	2,386,482	2,791,126	1,482,457	3,287,890
November	1,539,400	1,524,400	6,946,900	10,010,700	2,074,158	3,066,840	1,590,793	3,671,385
December	1,247,700	1,177,000	8,164,600	10,589,300	1,885,908	2,568,031	1,413,455	3,266,019
1892.								
January	1,461,200	2,350,900	10,398,000	14,210,100	1,456,185	2,458,489	1,208,855	1,811,483
February	1,509,700	2,344,200	11,190,200	15,044,100	1,899,398	1,524,305	923,133	1,370,070
March	1,380,100	3,609,900	12,297,000	17,287,000	1,519,334	1,420,947	978,154	1,671,588
April	1,742,200	2,885,900	10,786,400	15,415,500	956,429	1,322,338	1,161,863	1,910,170
May	1,651,600	3,497,900	10,874,000	16,023,500	1,312,003	1,531,224	1,290,269	1,929,386
June	1,398,000	3,519,200	11,281,300	16,198,500	1,647,976	1,791,065	1,386,040	2,087,987
July	1,436,800	3,401,900	10,072,600	14,911,300	2,019,571	2,552,225	1,667,874	2,548,487
August	1,438,500	3,065,800	8,776,100	13,280,400	2,749,142	2,677,062	1,679,281	3,302,645
September	1,478,200	1,940,900	8,070,300	11,489,400	2,425,281	2,482,202	1,723,827	3,887,043
October	1,452,700	1,219,500	7,537,100	10,209,300	2,373,575	3,014,148	1,611,663	3,794,462
November	1,499,700	1,442,000	6,158,300	9,100,000	1,959,125	2,851,416	1,478,944	3,918,385
December	1,692,800	781,800	7,068,800	9,543,400	1,148,851	2,497,134	1,329,410	2,411,425
1893.								
January	1,661,800	1,878,200	9,160,600	12,700,600	1,657,392	2,438,178	1,301,378	1,813,624
February	1,770,600	1,896,400	9,767,800	13,434,800	1,833,990	1,665,559	1,034,704	1,333,347
March	1,680,300	2,433,400	11,158,100	15,271,800	1,613,926	1,909,847	916,724	1,519,492
April	1,561,900	1,925,600	9,822,600	13,310,100	638,729	1,410,133	1,113,163	1,075,324
May	1,800,700	3,241,100	8,906,000	13,947,800	833,128	1,417,660	1,031,584	1,365,702
June	1,914,600	3,390,700	9,570,600	14,875,900	1,169,774	1,593,113	1,256,837	2,172,939
July	1,691,000	3,308,100	9,068,900	14,068,000	1,633,042	2,467,552	1,321,859	2,917,848
August	1,911,600	4,726,200	8,820,600	15,458,400	1,100,094	2,155,698	1,167,985	3,666,834
September	1,656,000	5,093,200	9,034,800	16,684,000	1,172,399	1,614,028	1,012,569	3,408,131

STATEMENT of the MONTHLY CASH BALANCES held in INDIA by GOVERNMENT and by PRESIDENCY BANKS, distinguishing, as far as practicable, the BALANCES in the HEAD OFFICES of the PRESIDENCY BANKS and those held elsewhere—*continued.*

End of	Government Balances.				Balances of the Presidency Banks.			
					Bengal.		Madras.	Bombay.
	In the Head Offices of the Presidency Banks.	In the Reserve Treasuries.	In the District and other Treasuries.	Total.	Head Office.	Branches.	Head Office and Branches.	Head Office and Branches.
1893.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
October	1,682,900	6,804,700	7,852,700	16,340,300	1,227,278	1,889,081	1,133,657	2,487,026
November	1,572,800	5,819,500	7,845,800	15,238,100	1,813,756	1,943,012	1,252,520	3,248,452
December	1,560,800	7,554,500	9,153,400	18,268,700	1,130,484	2,121,963	1,267,085	2,830,725
1894.								
January	1,439,600	10,213,600	12,148,900	23,802,100	827,852	1,598,520	1,331,029	1,095,648
February	1,452,200	10,923,700	12,643,300	25,019,200	561,360	1,464,947	1,121,893	1,213,562
March	1,336,300	10,125,900	14,103,400	25,565,600	676,236	1,654,826	1,200,046	1,847,456
April	1,647,400	10,741,900	12,083,500	24,472,800	592,112	988,846	1,159,332	1,036,690
May	1,528,300	9,677,500	12,080,800	23,286,600	1,034,139	1,197,549	1,112,527	1,549,740
June	1,568,000	9,887,500	13,560,700	25,016,200	1,222,259	1,604,375	1,181,882	1,739,158
July	1,543,200	8,725,000	13,313,700	23,581,900	1,551,168	1,935,953	1,650,392	2,126,036
August	1,819,900	8,505,400	11,803,600	22,128,900	1,239,616	1,621,169	1,683,429	2,716,600
September	1,812,800	6,773,800	11,320,300	19,906,900	1,692,025	1,731,395	1,633,095	3,785,975
October	1,678,500	5,993,700	9,946,300	17,518,500	1,939,649	1,950,037	1,577,745	3,864,740
November	1,564,200	5,008,500	9,762,700	16,335,400	2,506,291	1,923,155	1,725,676	4,613,487
December	1,672,200	4,284,300	11,147,700	17,104,200	2,194,526	2,214,082	1,290,409	3,655,479
1895.								
January	1,650,000	4,767,600	14,352,600	20,770,200	917,487	2,463,457	1,293,221	2,221,245
February	1,569,000	6,515,500	12,859,000	20,943,500	1,268,027	1,990,610	966,633	1,551,709
March	1,582,900	6,830,000	14,116,700	22,529,600	1,325,895	1,668,313	1,123,815	2,161,353
April	1,612,400	6,997,400	11,867,200	20,477,000	1,200,879	1,349,788	1,149,587	1,903,525
May	1,805,100	7,008,900	11,245,900	20,059,900	958,339	1,381,772	1,332,967	807,988
June	1,531,300	7,381,500	12,289,900	21,202,700	1,201,479	1,416,778	1,188,217	1,856,142
July	1,454,600	5,982,600	11,703,000	19,140,200	2,246,395	2,094,054	1,427,441	2,571,442
August	1,734,000	4,253,200	10,836,800	16,824,000	1,899,863	2,314,443	1,599,107	4,003,268
September	1,562,500	1,967,400	10,221,800	13,751,700	1,215,973	2,256,169	1,591,195	5,072,052
October	1,603,900	792,300	8,864,100	11,260,300	1,267,520	2,528,469	1,812,642	4,822,245
November	1,569,900	1,129,800	8,067,100	10,766,800	1,324,899	2,145,161	1,980,641	2,902,825
December	1,412,000	872,500	8,384,700	10,669,200	2,056,403	2,332,941	1,448,834	2,079,495
1896.								
January	1,573,800	1,409,800	10,888,500	13,872,100	1,711,542	2,131,148	1,476,949	2,068,733
February	1,560,600	1,878,800	11,266,000	14,705,400	1,193,021	1,323,027	1,108,249	1,223,911
March	1,582,500	2,175,100	12,743,600	16,500,600	1,241,683	1,552,864	1,308,088	1,331,849
April	1,536,600	2,243,900	11,273,800	15,054,300	1,051,424	1,519,624	1,228,022	1,220,585
May	1,678,100	2,832,700	10,442,300	14,953,100	1,610,202	1,286,714	1,024,563	1,552,208
June	1,662,000	1,863,400	11,010,300	14,535,700	2,008,677	1,598,713	1,824,870	2,370,851
July	2,231,400	3,769,200	9,635,600	15,636,200	2,919,169	2,165,074	1,937,765	3,363,583
August	1,969,800	2,960,600	9,280,600	14,211,000	1,330,245	2,261,544	1,676,326	2,936,593
September	1,587,400	2,352,600	8,629,500	12,569,500	936,577	1,978,922	1,568,648	2,255,433
October	1,652,600	871,200	7,272,900	9,796,700	1,121,138	1,286,751	1,380,087	1,300,646
November	1,091,800	1,053,700	5,308,300	7,453,800	954,220	1,459,728	1,207,303	1,539,707
December	1,753,000	1,924,600	5,943,100	9,620,700	1,036,476	1,485,790	1,238,270	1,228,287
1897.								
January	1,558,000	1,553,200	8,838,400	11,949,600	1,030,948	1,408,803	1,336,751	1,270,569
February	1,651,300	929,200	9,284,800	11,865,300	1,351,558	1,230,577	975,580	1,400,981
March	1,680,300	949,800	11,243,700	13,873,800	1,401,308	1,195,328	1,067,392	1,105,884
April	1,655,400	1,515,400	9,242,400	12,413,200	961,900	1,425,332	785,882	1,125,037
May	1,662,600	1,586,400	8,551,400	11,800,400	812,345	1,238,742	920,405	1,006,752
June	1,503,100	604,600	9,077,000	11,184,700	1,469,303	1,080,171	1,007,927	1,503,514
July	1,346,200	652,100	7,254,700	9,253,000	2,030,983	1,373,038	1,042,687	2,272,457
August	1,660,500	630,700	6,213,100	8,504,300	1,804,835	1,306,950	1,306,496	2,237,987
September	1,194,400	1,148,900	5,276,700	7,620,000	1,542,281	1,337,639	1,051,850	1,986,362
October	1,374,500	1,374,900	5,329,900	8,079,300	1,226,758	1,608,539	743,715	1,726,774
November	1,657,200	816,700	5,602,500	8,076,400	1,210,342	1,701,081	1,054,579	1,957,030
December	1,722,800	1,605,600	6,642,600	9,971,000	768,656	1,498,505	906,556	1,027,971
1898.								
January	1,445,300	2,386,500	9,114,600	12,946,400	773,975	1,330,466	1,085,608	1,163,540
February	1,576,400	3,410,000	9,162,100	14,148,500	697,924	1,018,735	930,553	914,207
March	1,498,500	3,155,200	11,329,700	15,983,400	837,842	997,525	1,018,596	1,044,236
April	1,687,500	2,362,000	9,674,600	13,724,100	1,107,205	939,819	1,008,093	1,346,965
May	1,553,700	1,646,600	19,606,200	12,806,500	1,001,427	1,359,328	917,811	877,262
June	1,594,700	3,186,000	10,407,700	15,188,400	1,131,608	1,634,293	897,885	1,438,980
July	1,494,400	2,930,600	10,553,200	14,978,200	1,777,620	1,582,098	1,253,504	1,494,771
August	1,988,200	2,117,900	10,264,500	14,370,600	2,072,434	1,377,218	1,295,954	2,088,588
September	1,740,700	2,029,800	10,226,700	13,997,200	1,191,489	1,465,515	1,449,473	2,262,425
October	1,502,900	1,681,600	8,658,700	11,843,200	899,395	1,773,959	1,461,173	2,400,773
November	1,527,400	1,358,700	8,386,800	11,272,900	1,496,275	1,520,114	1,405,703	1,849,574
December	1,671,700	1,358,700	8,493,800	11,524,200	1,365,160	1,781,045	1,264,570	1,330,873
1899.								
January	1,503,100	1,977,200	10,712,600	14,192,900	1,107,370	1,809,014	1,300,434	1,464,049
February	1,614,600	1,982,100	10,628,300	14,225,000	1,298,570	1,316,666	1,049,017	1,605,257
March	1,699,100	3,160,200	11,901,700	16,761,000	1,267,031	1,105,421	1,131,630	1,110,073

No. 22.

CAPITAL raised in ENGLAND by INDIAN RAILWAY

	Railway Company.		1870.	1871 to 1880.	1881.	1882.	1883.	1884.	1885.	1886.
			£	£	£	£	£	£	£	£
Railways in British India.	Assam Railways and Trading Company*	Share capital‡	—	—	—	160,822§	188,404§	774§	60,000§	34,721
		Debentures	—	—	—	—	19,400§	230,600§	—	—
		Total	—	—	—	160,822§	207,804§	231,374§	60,000§	34,721
	Barsi Light Railway Company	Share capital	—	—	—	—	—	—	—	—
	Bengal and North-Western Railway Company	Share capital	—	—	—	—	659,790¶	660,210	330,000	275,000
	Delhi-Umballa-Kalka	Share capital	—	—	—	—	—	—	—	—
		Debentures	—	—	—	—	—	—	—	—
		Total	—	—	—	—	—	—	—	—
	Bengal Doars Railway Company	Share capital	—	—	—	—	—	—	—	—
	Nilgiri Railway Company	Debentures	—	—	—	—	—	—	—	—
	Rohilkund and Kumaon Railway Company	Share capital	—	—	—	40,000‡‡	120,000‡‡	20,000‡‡	—	20,000
		Debentures	—	—	—	—	—	—	—	—
		Total	—	—	—	40,000‡‡	120,000‡‡	20,000‡‡	—	20,000
	South Behar Railway Company	Share capital	—	—	—	—	—	—	—	—
		Debentures	—	—	—	—	—	—	—	—
		Total	—	—	—	—	—	—	—	—
	Southern Punjab Railway Company	Share capital	—	—	—	—	—	—	—	—
		Debentures	—	—	—	—	—	—	—	—
		Total	—	—	—	—	—	—	—	—
Railways in Native States and Foreign Territory.	Nizam's Guaranteed States Railway Company (guaranteed by the Government of H.H. the Nizam)	Share capital	—	—	—	—	—	1,600,525	329,670	69,805
		Debentures	—	—	—	—	—	—	—	689,985
		Total	—	—	—	—	—	1,600,525	329,670	759,790
	Pondicherry Railway Company	Share capital	7,000†	—	—	—	—	—	—	—
	West of India Portuguese Railway Company* (guaranteed by the Portuguese Government)	Share capital	—	—	142,388	177,877	69,735	273,232	101,906	34,862
		Debentures	—	—	—	—	—	—	235,000	265,000
		Total	—	—	142,388	177,877	69,735	273,232	336,906	299,862
	GRAND TOTAL		7,000	—	142,388	378,699	1,057,329	2,785,341	1,05 66	1,389,373

* Part of the capital raised by the Assam Railways and Trading Company, and the West of India Portuguese Railway Company, has been used for other than railway purposes.

† It is not known exactly in what year this sum was raised. The Company was registered in December 1869.

‡ Excluding deferred shares of the nominal value of 43,750*l.* issued partly to vendors of concessions and partly to ordinary shareholders.

§ Raised during year ending 30th June.

No. 22.

COMPANIES not guaranteed by the SECRETARY of STATE.

1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895	1896.	1897.	1898.	Total.
£	£	£	£	£	£	£	£	£	£	£	£	£
55,279	—	—	—	—	—	25,000	10,000	40,000	25,000	50,000	—	650,000
—	—	—	65,000	10,000	25,000	—	—	—	—	18,000	—	368,000
55,279	—	—	65,000	10,000	25,000	25,000	10,000	40,000	25,000	68,000	—	1,018 000
—	—	—	—	—	—	—	—	75,000	—	—	—	75,000
245,953	10,470	869	12,277	5,431	—	—	458,222½	225	687,860½	145,996	73,728	3,566,032
—	—	556,034 ††	213,966 ††	—	—	—	—	—	—	—	32,288	832.228
—	—	—	200,000	100,000	—	—	—	—	—	—	—	300,000
—	—	556,034	443,966	100,000	—	—	—	—	—	—	32,288	1,132,283
—	—	—	—	—	90,120	44,880	7,705	7,295	—	—	250,000	400,000
—	—	192,500	—	—	—	—	—	—	150,000	3,500	6,500	352,500
—	—	—	—	— **	—	—	—	—	—	—	—	200,000 **
—	—	—	—	(147,000)	—	—	—	—	—	—	—	(147,000)
—	—	—	—	(147,000)**	—	—	—	—	—	—	—	347,000
—	—	—	—	—	—	—	—	113,658	156,197	80,145	—	350,000
—	—	—	—	—	—	—	—	—	250,000	—	40,000	290,000
—	—	—	—	—	—	—	—	113,658	406,197	80,145	40,000	640,000
—	—	—	—	—	—	—	—	202,592	490,002	273,406	—	966,000
—	—	—	—	—	—	—	—	259,615	240,385	—	—	500,000
—	—	—	—	—	—	—	—	462,207	730,387	273,406	—	1,466,000
—	—	—	—	—	—	—	—	—	—	—	—	2,000,000
68,415	—	—	—	187,033	12,967	—	—	—	—	1,025,000	—	1,983,400
68,415	—	—	—	187,033	12,967	—	—	—	—	1,025,000	—	3,983,400
—	—	—	—	—	—	—	—	—	—	—	—	7,000
—	—	—	—	—	—	—	—	—	—	—	—	800,000
25,000	25,000	—	—	—	—	—	—	—	—	—	—	550,000
25,000	25,000	—	—	—	—	—	—	—	—	—	—	1,350,000
394,647	35,470	749,403	521,243	449,464	128,087	69,880	475,927½	698,385	1,999,444½	1,596,047	402,516	14,337,220

¶ Raised partly in 1882.
†† Now guaranteed by the Secretary of State, although raised without the guarantee.
‡‡ Interest guaranteed for period of construction (*i.e.*, to end of 1884).
** Guaranteed by the Secretary of State.

No. 23.

QUANTITY of SILVER (in Tolas) accepted and passed into MINTS in NATIVE STATES from 1891 to 1898.

Mints.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	Remarks.
				1.—*Mints in Rajputana.*					
Bharatpur - -	—	—	—	—	—	—	—	—	Silver is received freely from the public; but no silver has actually been coined since 1889.
Bundi - - -	1,060,663	1,180,105	1,212,940	—	—	43,467	483,167	69,169	Silver is freely received from the public.
Jaisalmir -	18,700	27,825	209,122	59,978	78,950	104,281	84,319	—	Mint closed to the public since September 1893; but the Darbar coins its own silver.
Jaipur -	1,396,643	1,669,161	1,717,749	1,375,819	1,642,803	1,677,498	1,617,917	164,508	Mint closed from 27th December 1893 to 10th March 1894, but open throughout the years 1895, 1896, and 1897. The State buys the silver from bankers who are authorised to import silver on account of the Darbar; the bankers receive only the market value of the silver *plus* transit charges. So that the coinage is on account of the State.
Kishengarh - -	34,476	34,637	32,074	129,497	125,948	42,799	60,980	54,456	Mint closed to the public during July, August, and September 1893. Reopened in October under certain restrictions, in view to suppression of speculative coinage. Remained open throughout the years 1895, 1896, and 1897.
Jhallawar - -	86,749	309,913	279,385	474,724	493,983	—	—	—	Mint closed on 1st September 1893 to free coinage, and silver admitted only by special permission given solely for silver purchased for importation into the State prior to closing of the mint, and for ornaments brought for conversion into coin. Reopened on 1st April 1894 to free coinage, a seignorage of 10 per cent. being imposed on bar silver. In July 1894 rate reduced to 6 per cent., but again raised to 10 per cent. in September 1894. The mint has remained closed since 1896.
Karowli - -	15,826	21,820	207,523	41,927	12,147	97,849	48,191	15,169	Closed since 30th December 1893 to free coinage; coining only for the State when necessary.
Kota - - -	466,910	123,759	257,156	27,555	17,198	21,268	20,316	18,029	Mint closed on 7th August 1893. On 21st December 1893 permission given to coin broken silver ornaments, subject to a limit of Rs. 20,000 in the year.
Marwar — Jodhpur -	12,300	228	1,458,562	441,095	189,378	729	6,715		Silver is freely received from the public.
Marwar — Pali -	30,004	20,252	1,056,707	507,444	46,539	2,432	306	14,374	
Marwar — Nagore -	—	—	231,471	79,194	—	—	—		Mints opened in September 1893.
Marwar — Kuchawan	—	—	157,639	34,753	21,590	—	—		
Udaipur -	416	1,544	46,078	10,755	53,640	60,116	58,493	195,392	No silver imported or purchased locally by the State since June 1893. Coinage of small silver from old stock of silver possessed by the State continues to meet requirements of State.
Pratabgarh -	3,304	8,593	1,045,687	975,778	1,943	—	88,749	—	Mint closed since 1st May 1894, except for the coinage of small silver and copper. The coinage in 1897 was for State requirements.
Tonk and Sironj -	48,601	126,470	113,147	3,749	—	—	32,157	—	These mints are at present closed. The coinage of 1897 represents re-coinage of Mahamed Khani rupees into Chauhar Shahi rupees.
TOTAL FOR RAJPUTANA - -	3,174,592	3,524,307	8,025,240	4,162,268	2,684,119	2,050,439	2,501,310	531,097	

QUANTITY of SILVER (in Tolas) accepted and passed into MINTS in NATIVE STATES from 1891 to 1898—*continued.*

Mints.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	Remarks.
				2.—Mints in Central India.					
Indore - -	3,590,563	3,108,356	3,078,667	1,555,349	380,966	4,314,170	1,091,530	—	The Darbar purchases the silver for coinage when necessary. Does not coin for the public.
Gwalior { Bilsa -	169,023	302,376	570,102	145,594	—	—	—	—	Mint closed in October 1893. Coin struck for the use of the State only when necessary.
Gwalior { Ujjain -	133,034	66,786	1,152,319	1,152,927	977,449	1,451,212	1,343,229	170,129	Coin not supplied to the public since 10th April 1893. Coin struck for the use of the State only when necessary.
Gwalior { Lashkar -	226,351	628,232	228,865	5,650	—	—	—	—	Mint closed on 26th November 1891; coin for the use of the State only struck when necessary.
Bhopal - -	631,588	719,114	11,820	—	—	—	—	—	Mint closed on 4th August 1893, closure being complete both as regards public and State. The British rupee has been introduced as the sole legal tender from 1st February 1898, and the State has undertaken not to coin any silver at its mint.
Orchha - -	489,888	475,968	404,090	49,693	—	800	3,969	4,331	Mint closed since 1st March 1894. The coinages in 1896 and 1897 were struck on the occasion of the Basant Festival, and were on account of the State
TOTAL FOR CENTRAL INDIA -	5,240,447	5,300,832	5,445,863	2,909,213	1,358,415	5,766,182	2,438,728	174,460	
				3.—Mint in Hyderabad.					
Hyderabad - -	2,135,179	2,183,354	2,333,118	705	299,971	418,007	168,945	356,505	Mint closed since 1st July 1893, but some coin struck in October 1893 and February 1894, from silver obtained by washing crucibles. The coinage of 1895, 1896, and 1897 consisted mainly of re-coinage of Hali Sicca rupees.
				4.—Mints in Bombay.					
Junagad - -	—	—	—	—	—	88,729	61,037	2,840	The mint coins only State silver. The coinages of 1896 and 1897 were undertaken to replenish the supply of the State coin.
Cambay - -	721	—	—	—	17,920	57,680	88,084	—	The mint is open to public coinage, but the State has option to refuse or accept a tender.
Kutch Bhooj - -	254	124	2,324	704,665	1,467,371	492,360	1,113,639	991,400	Prior to 1894 the State had abstained from coining for some time, and there was a scarcity of coin. The coinages of recent years have been undertaken to replenish supply. The State does not appear to coin for the public.
Radhanpur - -	—	—	—	94,129	—	—	—	—	Radhanpur buys its silver in the market, and coins when necessity arises. Navanagar Darbar also purchases silver from local merchants when it sees that an issue of coins from the State mint can be made with profit, and the coins are issued to the merchants in payment of the silver brought from them. Radhanpur and Navanagar proposed currency reforms, but nothing has as yet been settled.
Navanagar - -	44,199	378,683	1,144,124	342,614	—	—	—	—	
TOTAL FOR BOMBAY - -	45,174	378,807	1,146,448	1,141,408	1,485,291	638,769	1,262,760	994,240	

No. 23—*continued.*

QUANTITY of SILVER (in Tolas) accepted and passed into MINTS in NATIVE STATES from 1891 to 1898—*continued.*

Mints.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	Remarks.
				5.—Mint in Baroda.					
Baroda - -	86,794	3,683,276	2,525,393	9,791	4,871,016	3,183,417	1,485,477	1,415,535	Mint closed on 31st May 1893. Closure was complete, except that a few rupees were coined as samples:— Rs. December 1894 - 13 January 1894 - 4 September 1894 - 2 Heavy coinage in 1895, 1896, and 1897 mostly due to re-coinage of old coin, a rupee of new device and superior workmanship having been introduced.
				6.—Mint in Madras.					
Travancore -	13,039	23,274	32,336	3,046	—	8,704	27,063	38,051	The Darbar does not receive silver from the public. The coinage in 1897 was for the State only.
				7.—Mints in the Punjab.					
Patiala - -	123,760	180,067	51,564	—	—	250	250	250	Mint closed in July 1893, but all silver received before that date was ordered to be coined. Some silver was also coined in November 1893 through a misunderstanding on the part of mint officials. The coinages of 1896 and 1897 were on the occasion of the Dasserah and Dewali festivals.
Nabha -	—	—	—	—	—	—	—	—	The mint is open to free coinage, but the State reserves the right to refuse or accept any tender.
Jind - -	—	—	—	—	—	—	—	—	Silver is only coined on marriage occasions, or on the occasion of the installation of any new Raja.
Maler Kotla - -	—	—	10,751	64,533	25,840	—	61,927	76,980	Mint open to free coinage, but State reserves right to refuse or accept any tender.
TOTAL FOR THE PUNJAB - -	123,760	180,067	62,315	64,533	25,840	250	62,177	77,230	
				8.—Mint in Kashmir.					
Kashmir - -	240,390	238,269	366,621	502,197	251,152	—	—	—	Coinage of 1895 was mostly re-coinage of old coins. Mint closed from 10th Assoj (25th September 1895). British rupee is being introduced, and will become the sole legal tender after 30th April 1898. The State has undertaken not to coin any silver at its mint.

TOTAL QUANTITY of SILVER (including Re-coinages of OLD COIN) received in all the MINTS in NATIVE STATES in INDIA.

	Tolas.
1891 - - - - - - -	11,059,577
1892 - - - - - - - -	15,512,186
1893 - - - - - - -	19,937,334
1894 - - - - - - - -	8,793,161
1895 - - - - - - -	10,975,804
1896 - - - - - - - -	12,065,768
1897 - - - - - - -	7,946,460
1898 - - - - - - -	3,587,118

No. 24.

CURRENCY NOTES.

TABLE showing the NUMBERS and VALUE of NOTES of each DENOMINATION in NET CIRCULATION* on the 31ST of MARCH in each of the YEARS from 1887-88 to 1898-99.

Year.	Notes for Rupees.																	
	5.		10.		20.		50.		100.		500.		1,000.		10,000.		Total.	
31st of March	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.	No.	Value. Rx.
1887-88 - -	450,727	225,364	2,671,031	2,671,031	275,045	550,090	194,803	974,015	372,933	3,729,330	35,915	1,795,750	41,818	4,181,800	2,297	2,297,000	4,044,569	16,424,380
1888-89 - -	429,663	214,832	2,782,663	2,782,663	264,642	529,284	183,611	918,055	364,318	3,643,180	32,962	1,648,100	40,527	4,052,700	1,949	1,949,000	4,100,335	15,737,814
1889-90 - -	449,463	224,732	2,816,258	2,816,258	270,938	541,876	181,819	909,095	386,222	3,862,220	34,716	1,735,800	39,398	3,939,800	1,742	1,742,000	4,180,556	15,771,781
1890-91 - -	528,768	264,384	3,300,390	3,300,390	311,755	623,510	205,933	1,029,665	465,685	4,656,850	44,983	2,249,150	58,425	5,842,500	7,724	7,724,000	4,923,663	25,590,449
1891-92 - -	480,735	240,367	3,571,058	3,571,058	318,609	637,218	216,135	1,080,675	505,924	5,059,240	45,653	2,282,650	60,032	6,003,200	5,202	5,202,000	5,203,348	24,076,408
1892-93 - -	495,456	247,728	3,917,336	3,917,336	330,083	660,166	232,482	1,162,410	568,068	5,680,680	50,648	2,532,400	67,981	6,798,100	5,403	5,403,000	5,667,457	26,401,820
1893-94 - -	499,652	249,826	3,744,839	3,744,839	332,023	664,046	219,828	1,099,140	519,248	5,192,480	42,390	2,119,500	53,818	5,381,800	11,960	11,960,000	5,423,758	30,411,631
1894-95 - -	563,015	281,507	4,328,358	4,328,358	364,900	729,800	240,275	1,201,375	617,192	6,171,920	47,865	2,393,250	61,168	6,116,800	9,477	9,477,000	6,232,250	30,700,010
1895-96 - -	625,552	312,776	4,600,900	4,600,900	368,089	736,178	247,639	1,238,195	622,785	6,227,850	49,214	2,460,700	66,491	6,649,100	3,715	3,715,000	6,584,385	25,940,699
1896-97 - -	609,612	304,806	4,699,678	4,699,678	362,699	725,398	230,613	1,153,065	605,206	6,052,060	47,604	2,380,200	55,611	5,561,100	2,877	2,877,000	6,613,900	23,753,307
897-98 - -	641,568	320,784	4,702,524	4,702,524	353,428	706,856	226,063	1,110,315	584,222	5,842,220	45,423	2,271,150	48,292	4,829,200	4,981	4,981,000	6,602,501	24,764,049
1898-99 -	720,865	360,432	4,899,201	4,899,201	387,301	774,602	240,814	1,204,070	674,742	6,747,420	51,329	2,566,450	56,911	5,691,100	5,960	5,960,000	7,037,123	28,203,275

Note.—On 31st March 1898 the Assets of the Currency Department were as follows:—(i.) Silver coin, Rx. 14,528,634; (ii.) Gold, Rx. 255,420; (iii.) Government Securities, Rx. 9,999,994. On 31st March 1899 the Assets were, (i.) Silver coin, Rx. 15,150,109; (ii.) Gold, Rx. 3,053,172; (iii.) Government Securities, Rx. 9,999,994.

* Net Circulation.—A note is in "gross circulation" when it is not yet returned to the original office of issue; but if it has meantime been paid off by another office of issue, and is held by it pending return to the original office of issue, then it has ceased to be in "net circulation," though it is still part of the "gross circulation." "Net circulation" includes the value of notes held by Government in the Reserve and other treasuries.

No. 25.

STATEMENT comparing the RATE for TELEGRAPHIC TRANSFERS telegraphed from INDIA on each WEDNESDAY, with the MINIMUM RATE at which TENDERS for BILLS on INDIA and TELEGRAPHIC TRANSFERS were accepted at thePublic Sale on the same day, since 1st April 1893.

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1893.				
April 5	1 2 9/16	1 2 19/32	1 2 5/8	1 2 5/8
„ 12	1 2 19/32	1 2 19/32	1 2 5/8	1 2 5/8
„ 19	1 2 5/8	1 2 5/8	1 2 5/8	1 2 5/8
„ 26	1 2 21/32	1 2 5/8	1 2 21/32	1 2 11/16
May 3	1 2 23/32	1 2 15/16	1 2 23/32	1 2 15/16
„ 10	1 2 25/32	1 2 25/32	1 2 23/32	1 2 11/16
„ 17	1 2 17/32	1 2 9/16	1 2 5/8	1 2 5/8
„ 24	1 2 5/8	1 2 5/8	1 2 5/8	1 2 5/8
„ 31	1 2 17/32	1 2 19/32	1 2 5/8	1 2 5/8
June 7	1 2 11/16	1 2 11/16	1 2 7/8	1 2 29/32
„ 14	1 2 15/16	1 2 15/16	1 2 7/8	1 2 29/32
„ 21	1 2 29/32	1 2 29/32	1 2 29/32	1 2 15/16
„ 28	1 3 15/16	1 3 27/32	1 4	1 3 1/8
July 5	1 3 23/32	1 3 5/8	1 3 7/8	—
„ 12	1 3 3/4	1 3 23/32	—	—
„ 19	1 3 21/32	1 3 5/8	—	—
„ 26	1 3 1/2	1 3 7/16	—	—
Aug. 2	1 3 13/32	1 3 3/8	—	—
„ 9	1 3 15/32	1 3 7/16	—	—
„ 16	1 3 1/4	1 3 3/16	—	1 3 1/4
„ 23	1 2 7/8	1 2 13/16	—	—
„ 30	1 2 3/4	1 2 3/4	—	—
Sept. 6	1 3 1/8 3/4	1 3 1/16	—	—
„ 13	1 3 3/32	1 3 1/16	1 3 1/4	—
„ 20	1 3 3/32	1 3 3/32	1 3 1/4	—
„ 27	1 3 1/32	1 3	—	—
Oct. 4	1 3 1/32	1 3	—	—
„ 11	1 3 1/8	1 3 3/32	—	—
„ 18	Holiday	1 3 3/32	—	—
„ 25	„	1 3 3/32	—	—
Nov. 1	1 3 1/8	1 3 3/32	—	—
„ 8	Holiday	Holiday	—	—
„ 15	1 3 7/32	1 3 7/32	1 3 1/4	—
„ 22	1 3 7/32	1 3 7/32	1 3 1/4	1 3 1/4
„ 29	1 3 7/32	1 3 7/32	1 3 1/4	1 3 1/4
Dec. 6	1 3 5/32	1 3 5/32	1 3 1/4	—
„ 13	1 3	1 3	—	—
„ 20	1 3 1/32	1 3	—	—
„ 27	1 3 3/32	1 3 1/16	1 3 1/4	—
1894.				
Jan. 3	1 3 3/32	1 3 3/32	—	—
„ 10	1 3	1 2 15/16	—	—
„ 17	1 2 15/16	1 2 29/32	—	—
„ 24	1 2 13/32	1 2 13/32	—	—
„ 31	1 2 3/8	1 2 3/8	1 2 3/8	1 2 3/8
Feb 7	1 2 1/16 to 1 2	1 2 1/32	—	1 2 1/32
„ 14	1 1 3/4	1 1 3/4	1 1 3/4	1 1 3/4
„ 21	1 1 19/32	1 1 5/8	1 1 19/32	1 1 19/32
„ 28	1 1 17/32	1 1 17/32	1 1 9/16	1 1 9/16
Mar. 7	1 2 1/32	1 2 1/16	1 2 1/16	1 2
„ 14	1 1 15/16	1 1 31/32	1 1 15/16	1 1 15/16
„ 21	1 1 13/16	1 1 27/32	1 1 13/16	1 1 13/16
„ 28	1 1 13/16	1 1 25/32	1 1 25/32	1 1 13/16
April 4	1 1 11/16	1 1 5/8	1 1 5/8	1 1 21/32
„ 11	1 1 5/8	1 1 19/32	1 1 19/32	1 1 5/8
„ 18	1 1 19/32	1 1 5/8	1 1 19/32	1 1 19/32
„ 15	1 1 9/16	1 1 9/16	1 1 9/16	—
May 2	1 1 5/8	1 1 5/32	—	1 1 7/32
„ 9	1 1 1/16	1 1 3/32	1 1 1/16	1 1 1/16
„ 16	1 0 27/32	1 0 27/32	1 0 13/16	1 1 1/16
„ 23	1 0 5/8	1 0 11/16	—	1 0 25/32
„ 30	1 0 13/16	1 0 25/32	1 0 27/32	1 0 7/8
June 6	1 1	1 0 15/16	1 1	1 0 31/32
„ 13	Holiday	1 1	1 1 1/32	1 1
„ 20	1 1	1 0 31/32	1 1	1 1 1/32
„ 27	1 0 29/32	1 0 29/32	1 1	—
July 4	1 0 15/16	1 0 15/16	1 0 31/32	1 1
„ 11	1 0 25/32	1 0 25/32	1 0 27/32	1 0 7/8
„ 18	1 0 13/16	1 0 25/32	1 0 13/16	1 0 27/32
„ 25	1 1	1 0 15/16	1 1	1 1 1/32
Aug. 1	1 0 29/32	1 0 15/16	1 0 29/32	1 0 15/16
„ 8	1 0 29/32	1 0 29/32	1 0 29/32	1 0 15/16
„ 15	1 1	1 1	1 1 1/32	1 1 1/16
„ 22	1 1 1/32	1 1 9/16	1 1 23/32	1 1 13/16
„ 29	1 1 23/32	1 1 7/8	1 1 13/16	1 1 25/32
Sept. 5	1 1 25/32	1 1 3/4	1 1 25/32	1 1 13/16
„ 12	1 1 21/32	1 1 5/8	1 1 5/8	1 1 1/2
„ 19	1 1 1/2	1 1 15/32	1 1 1/2	1 1 1/2

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1894.				
Sept. 26	1 1 3/16	1 1 1/8	1 1 1/8	—
Oct. 3	1 1 5/32	1 1 5/32	1 1 5/32	—
„ 10	1 1 3/32	1 1 5/16	1 1 1/32	—
„ 17	1 1 11/32	1 1 5/16	1 1 3/8	1 1 13/32
„ 24	1 1 11/32	1 1 5/16	1 1 3/8	—
„ 31	1 1 11/32	1 1 11/32	1 1 11/32	—
Nov. 7	1 1 9/32	1 1 9/32	1 1 9/32	—
„ 14	1 1 1/4	1 1 1/4	1 1 1/4	—
„ 21	1 1 1/4	1 1 7/32	1 1 7/32	1 1 9/32
„ 28	1 1 5/32	1 1 1/8	1 1 1/8	—
Dec. 5	1 0 29/32	1 0 29/32	1 0 29/32	1 0 31/32
„ 12	1 0 27/32	1 0 13/16	1 0 29/32	—
„ 19	1 0 7/8	1 0 7/8	1 0 15/16	—
„ 26	1 0 7/8	1 0 7/8	1 0 15/16	—
1895.				
Jan. 2	1 0 27/32	1 0 27/32	1 0 7/8	—
„ 9	1 0 25/32	1 0 25/32	1 0 25/32	—
„ 16	1 0 1/2	1 0 1/2	1 0 1/2	—
„ 23	1 0 13/32	1 0 13/32	1 0 1/2	1 0 7/16
„ 30	1 0 5/8	1 0 5/8	1 0 11/16	1 0 23/32
Feb. 6	1 0 13/16	1 0 25/32	1 0 27/32	—
„ 13	1 0 21/32	1 0 11/16	1 0 11/16	1 0 3/4
„ 20	1 1	1 1	1 1	1 1 1/16
„ 27	1 0 15/16	1 0 15/16	1 0 15/16	1 1
Mar. 6	1 0 7/8	1 0 27/32	1 0 7/8	—
„ 13	1 0 27/32	1 0 7/8	1 0 29/32	—
„ 20	1 1 1/32	1 1 1/8	1 1 1/8	—
„ 27	1 1 3/32	1 1 1/8	1 1 3/16	—
April 3	1 1 5/16	1 1 5/16	1 1 5/32	—
„ 10	1 1 13/32	1 1 5/16	1 1 11/32	—
„ 17	1 1 13/32	1 1 13/32	1 1 17/32	—
„ 24	1 1 11/32	1 1 5/16	1 1 5/32	—
May 1	1 1 3/16	1 1 5/32	1 1 7/32	—
„ 8	1 1 5/32	1 1 5/32	1 1 7/32	—
„ 15	1 1 5/16	1 1 9/32	1 1 11/32	—
„ 22	1 1 5/16	1 1 5/16	1 1 11/32	—
„ 29	1 1 13/32	1 1 15/32	—	1 1 9/16
June 5	1 1 3/8	1 1 11/32	1 1 11/32	—
„ 12	1 1 5/16	1 1 5/16	1 1 5/16	1 1 3/8
„ 19	1 1 7/32	1 1 7/32	1 1 7/32	—
„ 26	1 1 3/32	1 1 3/32	1 1 3/32	—
July 3	1 1 5/32	1 1 7/32	1 1 7/32	—
„ 10	1 1 3/16	1 1 5/32	1 1 3/16	—
„ 17	1 1 5/32	1 1 5/32	1 1 5/32	—
„ 24	1 1 5/32	1 1 5/32	1 1 5/32	—
„ 31	1 1 1/8	1 1 1/8	1 1 5/32	1 1 3/16
Aug. 7	1 1 5/32	1 1 5/32	1 1 5/32	—
„ 14	1 1 7/32	1 1 7/32	1 1 1/4	—
„ 21	1 1 7/32	1 1 7/32	1 1 1/4	—
„ 28	1 1 5/16	1 1 9/32	1 1 5/16	—
Sept. 4	1 1 1/32	1 1 1/32	1 1 3/8	—
„ 11	1 1 5/32	1 1 1/2	1 1 7/32	—
„ 18	Holiday	1 1 5/32	1 1 5/32	—
„ 25	„	1 1 5/32	1 1 1/2	—
Oct. 2	1 1 19/32	1 1 9/16	1 1 19/32	—
„ 9	1 1 25/32	1 1 23/32	1 1 27/32	—
„ 16	1 1 3/4	1 1 3/4	1 1 3/4	—
„ 23	1 1 3/4	1 1 23/32	1 1 27/32	—
„ 30	1 1 7/8	1 1 27/32	1 1 7/8	—
Nov. 6	1 1 27/32	1 1 13/16	1 1 13/16	—
„ 13	1 1 25/32	1 1 3/4	1 1 3/4	—
„ 20	1 1 11/16	1 1 11/16	1 1 21/32	1 1 11/16
„ 27	1 1 3/4	1 1 23/32	1 1 3/4	—
Dec. 4	1 1 25/32	1 1 25/32	1 1 13/16	—
„ 11	1 1 27/32	1 1 7/8	1 1 7/8	—
„ 18	1 1 29/32	1 1 29/32	1 1 29/32	—
„ 25	Holiday	Holiday	24th 1 1 29/32	—
1896.				
Jan. 1	—	—	1 2 1/32	—
„ 8	1 1 31/32	1 2	1 1 15/16	—
„ 15	1 2	1 2	1 2 1/32	—
„ 22	1 1 31/32	1 1 31/32	1 1 31/32	—
„ 29	1 1 31/32	1 2	1 1 31/32	—
Feb. 5	1 2 1/32	1 2 1/16	1 2 3/32	—
„ 12	1 2 3/16	1 2 3/16	1 2 7/32	—
„ 19	1 2 5/16	1 2 1/32	1 2 13/32	1 2 7/16
„ 26	1 2 5/8	1 2 21/32	1 2 23/32	1 2 2/4
Mar. 4	1 2 3/4	1 2 3/4	1 2 13/16	1 2 27/32

STATEMENT comparing the RATE for TELEGRAPHIC TRANSFERS telegraphed from INDIA on each WEDNESDAY, with the MINIMUM RATE at which TENDERS for BILLS on INDIA and TELEGRAPHIC TRANSFERS were accepted at the Public SALE on the same day, since 1st April 1893—*continued*.

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1896.				
Mar. 11	1 2 23/32	1 2 11/16	1 2 3/4	—
„ 18	1 2 1/2	1 2 17/32	1 2 1/2	—
„ 25	1 2 5/16	1 2 3/32	1 2 11/32	1 2 3/8
April 1	1 2 3/8	1 2 3/8	1 2 11/32	1 2 3/8
„ 8	1 2 5/16	1 2 3/16	1 2 3/32	1 2 5/16
„ 15	1 2 1/16	1 2 1/32	1 2 1/32	1 2 1/16
„ 22	1 2 3/32	1 2 1/8	1 2 1/8	1 2 5/32
„ 29	1 2 3/16	1 2 5/32	1 2 1/8	1 2 5/32
May 6	1 2 3/32	1 2 3/32	1 2 3/32	1 2 1/8
„ 13	1 1 7/8	1 1 29/32	1 1 7/8	1 1 29/32
„ 20	Holiday	Holiday	1 1 13/16	1 1 27/32
„ 27	1 1 13/16	1 1 27/32	1 1 27/32	1 1 7/8
June 3	1 1 29/32	1 1 29/32	1 1 15/16	1 1 31/32
„ 10	1 2	1 1 31/32	1 2	1 2 1/32
„ 17	1 2 1/32	1 2 1/32	1 2 1/16	—
„ 24	1 2 5/32	1 2 3/32	1 2 3/16	1 2 7/32
July 1	1 2 3/16	1 2 3/16	1 2 3/16	—
„ 8	1 2 1/8	1 2 5/32	1 2 1/8	1 2 5/32
„ 15	1 2 1/8	1 2 1/8	1 2 1/8	—
„ 22	1 2 5/32	1 2 5/32	1 2 3/16	—
„ 29	1 2 3/16	1 2 3/16	1 2 3/16	—
Aug. 5	1 2 7/32	1 2 7/32	1 2 1/4	—
„ 12	1 2 7/32	1 2 5/32	1 2 3/16	—
„ 19	1 2 1/16	1 2 1/32	1 2 3/32	1 2 1/16
„ 26	1 2	1 2 1/32	1 2 1/16	—
Sept. 2	1 2 5/32	1 2 3/32	1 2 3/16	—
„ 9	1 2 5/32	1 2 5/32	1 2 5/32	—
„ 16	1 2 5/32	1 2 1/8	1 2 5/32	—
„ 23	1 2 3/16	1 2 5/32	1 2 3/16	—
„ 30	1 2 7/32	1 2 3/16	1 2 5/32	—
Oct. 7	1 2 1/8	1 2 5/32	1 2 5/32	—
„ 14	Holiday	1 2 7/32	1 2 7/32	1 2 1/4
„ 21	„	1 2 7/16	1 1 27/32	1 2 9/16
„ 28	1 2 3/4	1 2 3/4	1 2 13/16	1 2 7/8
Nov. 4	Holiday	Holiday	1 2 13/16	—
„ 11	1 3 5/8	1 3 13/32	—	1 3 27/32
„ 18	1 3 5/8	1 3 9/16	1 3 27/32	1 3 11/16
„ 25	1 3 9/32	1 3 13/32	1 3 13/32	—
Dec. 2	1 3 7/32	1 3 7/32	1 3 3/16	—
„ 9	1 3 7/32	1 3 1/4	1 3 5/16	—
„ 16	1 3 5/16	1 3 1/4	1 3 5/16	—
„ 23	1 3 9/32	1 3 9/32	1 3 5/16	1 3 13/32
„ 30	1 3 7/16	1 3 13/32	1 3 13/32	—
1897.				
Jan. 6	1 3 3/8	1 3 3/8	1 3 5/16	—
„ 13	1 3 3/8	1 3 11/32	1 3 9/32	1 3 3/8
„ 20	1 3 1/16	1 3	1 3	—
„ 27	1 3 5/32	1 3 5/32	1 3 5/32	1 3 1/4
Feb. 3	1 3 3/8	1 3 3/8	1 3 9/32	1 3 3/8
„ 10	1 3 3/8	1 3 3/8	1 3 9/32	1 3 3/8
„ 17	1 3 5/32	1 3 3/16	1 3 1/16	1 3 5/32
„ 24	1 3 3/32	1 3 3/32	1 3 1/32	1 3 7/8
Mar. 3	1 2 31/32	1 2 15/16	—	—
„ 10	1 3	1 3	1 3	1 3 3/32
„ 17	1 3 1/32	1 3 1/32	1 3	1 3 3/32
„ 24	1 3 1/8	1 3 3/32	1 3 3/32	1 3 1/16
„ 31	1 3 1/16	1 3 1/32	1 3 1/32	1 3 1/8
April 7	1 3 1/32	1 3	1 3	—
„ 14	1 3 1/16	1 3 1/32	1 3	—
„ 21	1 3 1/32	1 3 1/16	1 3	1 3 3/32
„ 28	1 3 1/32	1 3 1/32	1 3	—
May 5	1 2 29/32	1 2 7/8	1 2 7/8	—
„ 12	1 2 1/32	1 2 9/16	1 2 9/16	1 2 21/32
„ 19	1 2 7/16	1 2 7/16	1 2 5/8	1 2 15/32
„ 26	1 2 5/8	1 2 11/32	1 2 5/16	1 2 13/32
June 2	1 2 15/32	1 2 15/32	1 2 15/32	—
„ 9	1 2 1/32	1 2 3/32	1 2 9/16	—
„ 16	1 2 5/8	1 2 5/8	1 2 19/32	—
„ 23	1 2 25/32	1 2 25/32	1 2 27/32	—
„ 30	1 2 27/32	1 2 13/16	1 2 25/32	—
July 7	1 2 7/8	1 2 29/32	1 2 13/16	—
„ 14	1 3 1/8	1 3 1/8	1 3 3/16	—
„ 21	1 3 3/16	1 3 5/32	1 3 1/8	—
„ 28	1 3 1/16	1 3 1/32	1 3 1/32	—
Aug. 4	1 3 1/8	1 3 1/8	1 3 3/16	—
„ 11	1 3 1/2	1 3 15/32	1 3 19/32	—
„ 18	1 3 1/2	1 3 1/2	1 3 9/16	—
„ 25	1 3 23/32	1 3 3/4	1 3 27/32	—
Sept. 1	1 3 13/16	1 3 25/32	1 3 13/16	—
„ 8	1 3 15/16	1 3 29/32	—	—
„ 15	1 3 7/8	1 3 7/8	—	—
„ 22	1 3 21/32	1 3 21/32	—	—

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1897.				
Sept. 29	1 3 17/32	1 3 9/16	—	
Oct. 6	1 3 21/32	1 3 21/32	—	—
„ 13	1 3 19/32	1 3 19/32	—	—
„ 20	1 3 5/8	1 3 5/8	—	—
„ 27	1 3 5/8	1 3 19/32	—	—
Nov. 3	Holiday	1 3 11/16	—	—
„ 10	1 3 23/32	1 3 5/8	—	—
„ 17	1 3 7/16	1 3 7/16	—	—
„ 24	1 3 13/32	1 3 5/8	—	—
Dec. 1	1 3 1/8	1 3 1/32	—	—
„ 8	1 3 3/32	1 3 1/16	—	—
„ 15	1 2 15/16	1 2 15/16	1 3 1/32	—
„ 22	1 3 5/8	1 3 9/16	1 3 1/32	—
„ 29	1 3 13/16	1 3 7/8	1 3 13/16	—
1898.				
Jan. 5	1 3 7/8	1 3 7/8	1 3 13/16	—
„ 12	1 4 1/16	1 4 3/32	1 3 31/32	1 4 1/16
„ 19	1 4 1/32	1 4	—	—
„ 26	1 3 31/32	1 3 7/8	—	—
Feb. 2	1 3 7/8	1 3 15/16	1 3 13/16	1 3 29/32
„ 9	1 3 15/16	1 3 7/8	1 3 13/16	1 3 15/16
„ 16	1 3 29/32	1 3 7/8	1 3 25/32	1 3 29/32
„ 23	1 3 31/32	1 3 31/32	1 3 27/32	1 3 31/32
Mar. 2	1 4	1 4	1 3 29/32	1 4 1/32
„ 9	1 4 1/32	1 4	1 3 29/32	1 4 1/32
„ 16	1 3 31/32	1 3 31/32	1 3 27/32	1 3 31/32
„ 23	1 3 25/32	1 3 25/32	1 3 29/32	1 3 25/32
„ 30	1 3 13/16	1 3 1/4	1 3 11/16	1 3 25/32
April 6	1 3 7/8	1 3 27/32	1 3 13/16	1 3 29/32
„ 13	1 3 31/32	1 3 31/32	1 3 29/32	1 4
„ 20	1 4 1/16	1 4 1/16	1 3 31/32	1 4 1/16
„ 27	1 4 1/32	1 4	1 3 29/32	1 4
May 4	1 3 27/32	1 3 29/32	1 3 3/4	1 3 27/32
„ 11	1 4	1 4	1 3 15/16	1 4 1/32
„ 18	1 4 3/32	1 4 1/16	1 4	1 4 3/32
„ 25	1 3 15/16	1 3 31/32	1 3 7/8	1 3 31/32
June 1	1 4	1 4	1 3 15/16	1 4 1/32
„ 8	1 3 31/32	1 3 15/16	1 3 29/32	—
„ 15	1 3 31/32	1 3 15/16	1 3 29/32	1 4
„ 22	1 3 7/8	1 3 27/32	1 3 13/16	1 3 7/8
„ 29	1 3 23/32	1 3 23/32	1 3 11/16	1 3 3/4
July 6	1 3 5/8	1 3 5/8	1 3 29/32	—
„ 13	1 3 11/16	1 3 23/32	1 3 3/4	1 3 13/16
„ 20	1 3 29/32	1 3 7/8	1 3 15/16	—
„ 27	1 3 27/32	1 3 13/16	1 3 7/8	1 3 15/16
Aug. 3	1 3 27/32	1 3 27/32	1 3 7/8	—
„ 10	1 3 7/8	1 3 7/8	1 3 7/8	—
„ 17	1 3 7/8	1 3 7/8	1 3 29/32	—
„ 24	1 3 7/8	1 3 27/32	1 3 7/8	—
„ 31	1 3 15/16	1 3 29/32	1 3 13/16	—
Sept. 7	1 3 31/32	1 3 15/16	1 3 31/32	1 4
„ 14	1 4	Holiday	1 4	1 4 1/32
„ 21	1 3 31/32	1 3 15/16	1 3 31/32	1 4
„ 28	1 3 29/32	1 3 7/8	1 3 29/32	1 3 15/16
Oct. 5	1 3 31/32	1 3 15/16	1 3 31/32	—
„ 12	1 3 15/16	1 3 15/16	1 3 31/32	—
„ 19	1 3 15/16	1 3 15/16	1 3 15/16	—
„ 26	1 4	1 4	1 4 1/32	1 4 1/16
Nov. 2	1 4	1 3 31/32	1 4	—
„ 9	1 3 29/32	1 3 29/32	1 3 15/16	—
„ 16	1 3 29/32	Holiday	1 3 29/32	1 3 15/16
„ 23	Holiday	1 3 15/16	1 3 15/16	—
„ 30	1 3 31/32	1 3 31/32	1 3 31/32	—
Dec. 7	1 3 31/32	1 3 15/16	1 3 31/32	—
„ 14	1 4	1 4	1 4	1 4 1/32
„ 21	1 4 1/32	1 4 1/32	1 4 1/32	—
„ 28	1 4	1 4	1 4	—
1899.				
Jan. 4	1 4 1/32	2 4 1/32	1 4 1/32	—
„ 11	1 4 3/32	1 4 3/32	1 4 3/32	1 4 1/8
„ 18	1 4 3/32	1 4 3/32	1 4 3/32	1 4 1/8
„ 25	1 4 1/16	1 4 1/16	1 4 3/32	1 4 1/8
Feb. 1	1 4 3/32	1 4 3/32	1 4 3/32	1 4 1/8
„ 8	1 4 1/16	1 4 1/16	1 4 1/16	1 4 3/32
„ 15	1 4 1/32	1 4 1/32	1 4	1 4 1/32
„ 22	1 4 1/32	1 4 1/16	1 4	1 4 1/16
Mar. 1	1 4	1 4 1/32	1 4	1 4 1/32
„ 8	1 4	1 4	1 4	1 4 1/32
„ 15	1 4	1 4	1 4	1 4 1/32
„ 22	1 4	1 3 31/32	1 4 1/32	1 4
„ 29	1 3 31/32	1 3 31/32	1 4	1 4

No. 26.

ENGLISH AND INDIAN PRICES of Principal Articles of IMPORT from, and EXPORT to, INDIA, from 1888.

(i.) Sauerbeck's Sterling Prices of Commodities.

(Average Prices of 1867–77 = 100.)

—	English Gazette Wheat.	Rice.	Sugar (Java).	Coffee.	Tea.	Cotton.	Jute.	Wool.	Silk.	Hides.	Linseed.	Indigo.	Timber.	Nitrate of Soda. *
1888 - -	58	71	56	96	50	58	70	72	57	73	63	66	74	71
1889 - -	55	72	67	114	50	61	79	82	59	70	69	62	84	68
1890 - -	59	72	54	123	51	58	70	76	61	70	73	59	79	61
1891 - -	68	79	54	118	56	48	68	70	57	66	70	66	73	63
1892 - -	56	77	56	113	51	45	79	61	53	63	64	62	74	63
1893 - -	48	62	61	123	53	53	68	60	54	65	69	76	71	65
1894 - -	41	58	48	117	47	39	66	55	43	64	65	69	70	66
1895 - -	42	55	42	115	47	41	58	57	43	84	64	59	69	59
1896 - -	48	62	44	100	46	46	64	62	46	77	56	59	74	57
1897 - -	55	67	39	86	45	45	58	59	45	75	53	55	77	55
1898 - -	62	72	41	78	46	37	58	64	46	82	59	48	78	55

* Nitrate of Soda is taken as equivalent to Saltpetre.

(ii.) Prices of certain Staple Commodities in Calcutta and London.

NOTE.—The Table is based on Prices of 1873 = 100.

(*a*) Prices in Calcutta (in Rangoon for rice and in Bombay for cotton).
(*b*) Prices in London.

—	Rice.		Wheat.		Cotton.		Jute.		Linseed.		Rapeseed.		Tea.		Indigo.	
	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)	(*a*)	(*b*)
1888 - -	154	76	81	54	99	62	126	79	93	65	84	56	72	73	85	93
1889 - -	156	79	83	51	104	66	151	90	104	69	95	74	66	64	81	89
1890 - -	143	79	81	54	95	67	122	81	99	71	98	73	55	63	79	93
1891 - -	173	86	92	63	84	52	127	75	99	70	102	72	65	67	77	109
1892 - -	191	84	95	52	86	46	153	96	113	65	84	62	71	44	91	85
1893 -	150	67	86	45	100	51	154	82	117	69	103	61	62	39	106	101
1894 - -	140	65	75	39	89	43	158	88	121	64	91	51	79	35	101	104
1895 - -	143	60	83	39	91	42	141	67	119	61	100	50	74	35	102	92
1896 - -	169	65	112	45	90	48	155	75	97	54	95	55	66	33	90	86
1897 - -	177	75	120	51	86	43	132	76	94	51	113	62	54	30	80	81
1898 - -	144	78	92	58	71	37	121	70	87	59	91	58	48	31	67	70

J. E. O'CONOR.

No. 27.—Variations in Wholesale Prices of Exports at Calcutta, Bombay, and Rangoon.

	Cotton, Broach.	Opium.		Rice.		
		Bengal.	Malwa.	Ballam (Calcutta).	Ngatsain (Rangoon).	Ngakyouk (Rangoon).
1861–65	128	104	113	88	Not available.	
1866–70	112	100	114	120		
1871–75	87	102	100	115	97	113
1876–80	86	98	116	154	126	157
1881–85	88	100	101	122	122	151
1886–90	90	87	93	134	135	164
1891	84	82	87	143	156	194
1892	75	95	89	169	173	214
1893	107	91	88	180	142	178
1894	84	99	93	188	117	148
1895	70	112	105	147	122	154
1891–95	84	96	92	165	142	178
1896	94	104	103	151	125	158
1897	76	83	94	204	146	183
1898	68	80	85	185	119	151
1899	59	89	84	153	122	153

	Wheat.		Linseed.		Jute.	
	Calcutta.	Bombay.	Calcutta.	Bombay.	Picked.	Ordinary.
1861–65	82	—	85	90	103	88
1866–70	101	108	107	104	110	103
1871–75	85	79	104	98	128	123
1876–80	94	108	104	103	153	144
1881–85	84	77	95	97	132	123
1886–90	83	94	104	104	163	153
1891	87	93	97	103	126	115
1892	103	118	112	110	236	231
1893	97	106	128	129	192	183
1894	79	95	123	121	241	237
1895	82	106	127	131	175	169
1891–95	90	104	117	119	194	187
1896	100	94	115	112	175	166
1897	150	153	98	101	203	180
1898	104	170	94	100	156	130
1899	84	106	92	101	170	161

	Jute Gunny Bags.	Tea, good Souchong.	Cotton Yarns, 20s.	Cotton T-cloth, 44-inch, 24 yards, 8 lbs.	Indigo, good.	Hides, Cow, slaughtered.
1861–65	97	—	—	—	95	70
1866–70	103	—	—	—	102	67
1871–75	100	100(1)	— (2)	—(3)	108	96
1876–80	94	94	81	83	103	96
1881–85	105	69	77	81	110	99
1886–90	110	54	74	77	86	81
1891	93	50	70	77	86	65
1892	132	41	65	77	74	66
1893	119	59	78	78	114	124
1894	109	38	71	80	108	121
1895	110	64	67	81	105	126
1891–95	113	50	70	79	97	100
1896	108	48	74	79	105	125
1897	99	43	72	77	84	100
1898	85	43	63	78	84	109
1899	87	39	52	74	57	106

(1) Four years average.
(2) No prices available before 1874. The level is based on the price of 1874=100. In 1875 the level was 81.
(3) No prices available before 1874. The level is based on the price of 1874=100. In 1875 the level was 86.

J. E. O'Conor.

No. 28.—VARIATIONS in WHOLESALE PRICES of IMPORTS at CALCUTTA.

	Grey Shirtings, 8¼ lbs.	Mule Twist, White, No. 40.	Mule Twist, Turkey Red, No. 40.	Copper, Braziers'.	Iron, Flat, Bolt, Bar.	Total.
1861–65	145	146	123	99	64	577
1866–70	128	122	117	88	69	524
1871–75	93	92	104	92	89	470
1876–80	79	83	83	88	67	400
1881–85	78	77	62	78	61	356
1886–90	80	71	57	76	62	346
1891	74	70	56	72	62	334
1892	74	64	57	72	64	331
1893	77	74	62	75	97	385
1894	70	69	62	73	94	368
1895	71	70	62	83	106	392
1891–95	73	69	60	75	85	362
1896	69	77	62	82	111	401
1897	70	66	62	78	110	386
1898	64	61	62	83	111	381
1899	62	57	42	87	111	359

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No. 29.

DIAGRAM illustrating the two preceding Tables.

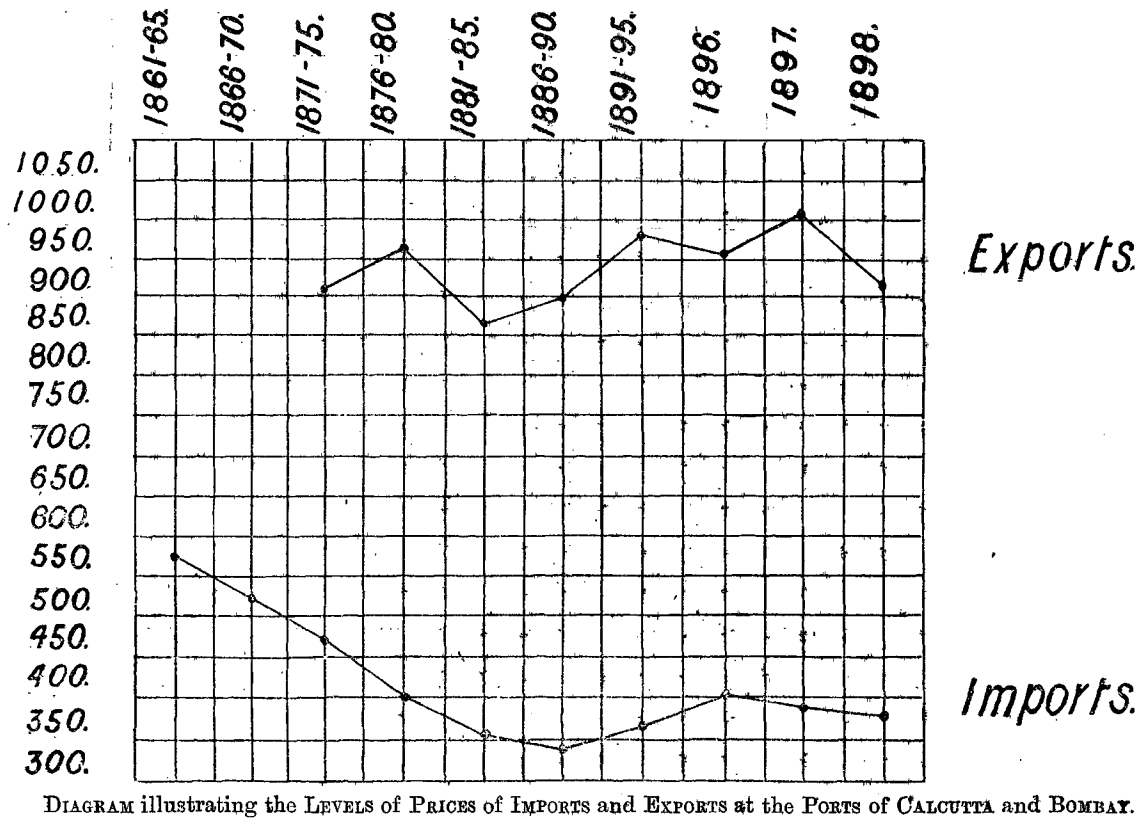

DIAGRAM illustrating the LEVELS of PRICES of IMPORTS and EXPORTS at the PORTS of CALCUTTA and BOMBAY.

The line of imports represents the totals of the prices of grey cotton shirtings, mule twist (grey and dyed), copper, and iron. (Level of 1873 = 100.)

The line of exports represents the totals of cotton, rice, wheat, linseed, jute gunny bags, tea, cotton yarn, and indigo. (Level of 1873 = 100.)

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(Diagram by Mr. J. A. Anderson and Mr. H. M. Ross referred to in No. 30).

The position of the Indian money market is directly regulated by the amount locked up in the Treasury. As taxes are collected cash is withdrawn from private hands, and when the Treasury balance is reduced, the accumulations of private money in the hands of the three Presidency Banks increase proportionately.

Treasury Balance. Crores.	Cash in the three Presidency Banks. Crores.	NOV.	1896 DEC.	1897 JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	1898 JAN.	FEB.	MAR.	APRIL	Treasury Balance. Crores.	Cash in the three Presidency Banks Crores.
16	6																			16	6
15 . 50	5 . 70																			15 . 50	5 . 70
15	5 . 40																			15	5 . 40
14 . 50	5 . 10																			14 . 50	5 . 10
14	4 . 80																			14	4 . 80
13 . 50	4 . 50																			13 . 50	4 . 50
13	4 . 20																			13	4 . 20
12 . 50	3 . 90																			12 . 50	3 . 90
12	3 . 60																			12	3 . 60
11 . 50	3 . 30																			11 . 50	3 . 30
11	3																			11	3
10 . 50	2 . 70																			10 . 50	2 . 70
10	2 . 40																			10	2 . 40
9 . 50	2 . 10																			9 . 50	2 . 10
9	1 . 80																			9	1 . 80
8 . 50	1 . 50																			8 . 50	1 . 50
8	1 . 20																			8	1 . 20
7 . 50	. 9																			7 . 50	. 9
7	. 6																			7	. 6
6 . 50	. 3																			6 . 50	. 3
6	. 0																			6	. 0
	Discount	10	10	10	10	10	10	8	5	5	6	7	5	9	11	12	12	11			

A. 1 Crore of Bills bought on India, put into the Treasury, and paid out again at once, so hardly shows in the Treasury balance. It took six weeks to filter back into the Banks' hands, their cash rising to 4 crores on 20 Nov. B. 25 lakhs of gold paid into the note reserve, Treasury setting free the same amount of rupees. (*Note.*— Treasury balance includes the Reserve balance and cash and notes of the public deposits in the Presidency Banks. Cash in the three Presidency Banks consists of the cash and notes after deducting said public deposits.)

ROYAL ASIATIC SOCIETY * LIBRARY OF THE BOMBAY BRANCH *

No. 30.—VARIATIONS in the RETAIL PRICE of RICE since 1861—(Price of 1873 = 100).

Years.	Calcutta.	Patna.	Rangpur.	Backerganj.	Raipur.	Bellary.	Madras.	Salem.	Rangoon.	Toungkoo
1861	62	62	61	89	114	98	—	133	123	151
1862	62	50	61	97	54	101	—	135	81	171
1863	63	47	67	105	67	108	—	122	81	135
1864	80	50	71	112	121	152	—	127	92	122
1865	96	76	134	119	221	167	—	148	92	143
Average	73	57	79	104	115	125	—	133	94	144
1866	106	101	156	238	250	157	—	164	81	177
1867	72	77	117	122	156	217	—	211	102	198
1868	81	50	82	132	144	145	—	160	102	161
1869	80	86	92	136	313	114	—	152	112	151
1870	77	66	84	115	134	109	104	135	122	166
Average	83	76	106	149	199	148	104	164	104	171
1871	61	77	85	123	138	85	—	86	—	—
1872	64	79	87	93	99	88	—	91	79	100
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	102	111	145	171	111	95	125	119	128	117
1875	85	74	105	130	107	90	107	104	86	131
Average	82	88	104	123	111	92	111	100	98	112
1876	99	100	100	131	123	116	142	135	81	130
1877	103	97	107	170	119	183	189	242	95	173
1878	115	120	140	212	191	178	190	202	122	151
1879	116	117	170	209	173	119	147	163	127	197
1880	85	93	107	125	154	94	121	134	109	180
Average	104	105	125	169	152	138	158	175	107	166
1881	72	74	94	84	99	97	105	108	97	142
1882	76	80	94	95	93	97	101	108	92	131
1883	77	99	121	121	117	98	100	105	105	177
1884	103	125	170	151	159	98	104	115	106	219
1885	122	107	162	174	157	104	122	137	90	215
Average	90	97	128	125	125	99	106	115	98	177
1886	85	94	112	159	173	105	110	122	95	215
1887	68	78	101	133	212	95	113	115	104	232
1888	73	94	111	140	212	96	117	118	110	279
1889	90	117	155	190	245	98	119	126	110	221
1890	90	101	155	183	210	102	136	131	113	206
Average	81	97	127	161	210	99	119	122	106	231
1891	91	100	167	162	207	116	145	157	123	227
1892	111	125	200	222	269	142	164	174	129	246
1893	121	106	192	248	241	124	150	167	99	189
1894	120	110	183	226	219	121	133	144	90	170
1895	100	95	158	150	228	120	138	141	90	194
Average	109	107	180	202	233	125	146	157	106	205
1896	111	115	186	232	280	126	142	132	95	205
1897	159	172	273	273	405	156	155	158	128	225
1898	118	111	173	184	246	143	170	177	93	186

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No. 31.—Variations in the Retail Price of Wheat since 1861—(Price of 1873 = 100).

Years.	Calcutta.	Patna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Nagpur.	Raipur.
1861	69	69	96	61	126	129	140	64	78	74	97	92	100	79	75	88
1862	62	98	60	54	60	72	170	69	101	61	116	97	95	68	103	51
1863	56	50	58	56	61	75	128	62	103	145	138	121	156	86	136	69
1864	77	98	84	69	85	89	93	73	150	198	180	147	209	64	181	132
1865	77	94	99	92	98	129	99	68	133	166	171	137	237	99	167	192
Average	68	82	79	66	86	99	126	67	113	129	140	119	159	79	132	106
1866	99	151	118	111	86	98	98	67	131	229	171	179	172	152	241	211
1867	54	105	99	65	94	90	104	76	116	116	153	130	125	94	241	117
1868	69	52	83	87	79	91	135	146	111	61	124	114	166	132	163	117
1869	80	122	144	111	153	163	200	139	113	79	118	137	188	180	215	232
1870	80	133	107	80	129	147	168	122	150	222	206	130	183	132	164	184
Average	76	113	110	91	108	118	141	110	124	141	167	138	167	138	205	182
1871	72	67	69	62	83	87	104	103	132	128	126	114	140	86	116	88
1872	82	80	86	93	83	91	108	98	108	120	136	106	112	91	112	101
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	93	94	96	95	98	99	99	78	107	74	77	94	94	96	91	102
1875	72	68	71	62	91	89	97	64	120	64	103	98	82	74	86	91
Average	84	82	84	82	91	93	102	89	113	97	108	102	106	89	101	96
1876	67	63	66	59	78	77	98	57	120	85	106	100	86	74	95	79
1877	88	83	103	92	102	103	97	65	130	166	190	142	142	97	114	99
1878	97	110	120	120	135	135	142	103	164	168	242	177	175	171	167	217
1879	94	113	117	108	135	135	172	200	195	207	236	168	177	174	182	213
1880	88	80	90	84	109	109	148	169	149	136	154	130	98	118	126	166
Average	87	90	99	93	112	112	131	119	152	152	186	143	136	127	137	155
1881	75	70	81	81	99	98	119	141	118	70	112	106	85	94	105	108
1882	87	82	89	89	109	102	98	91	117	62	128	112	99	107	110	134
1883	88	83	89	86	112	100	101	74	116	67	128	113	110	99	108	130
1884	72	76	75	77	99	95	93	60	110	64	113	104	95	84	91	145
1885	75	75	74	72	91	84	92	65	108	75	113	102	84	93	94	123
Average	79	77	82	81	102	96	101	86	114	68	119	107	95	95	102	138
1886	76	76	84	81	110	100	119	88	130	71	127	112	93	120	115	159
1887	81	85	101	101	134	129	152	133	138	75	146	117	126	125	127	194
1888	89	90	102	103	135	129	144	127	133	78	140	121	130	133	128	196
1889	89	96	99	104	119	110	117	97	131	77	137	117	119	129	134	208
1890	86	93	107	106	123	116	128	98	129	71	131	111	112	123	130	196
Average	84	88	99	99	124	117	132	109	132	74	136	116	116	126	127	191
1891	98	99	114	117	145	135	168	126	143	90	143	120	122	146	147	249
1892	103	107	117	116	143	131	180	149	155	131	175	138	133	149	182	313
1893	95	97	106	107	126	114	148	125	129	98	138	119	107	128	140	230
1894	87	91	93	92	103	93	96	74	98	71	105	106	94	135	131	201
1895	93	94	102	106	123	110	129	90	111	66	98	88	107	152	144	253
Average	95	96	106	108	128	117	144	113	127	91	132	114	113	142	149	249
1896	109	127	143	138	166	161	189	148	141	87	141	98	138	169	172	307
1897	143	156	167	151	199	192	235	185	177	158	247	175	187	209	242	468
1898	102	99	110	95	138	132	148	115	139	125	182	153	132	145	178	310

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No. 32.—Variations in the Retail Price of Jawar since 1861—(Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Nagpur.	Bellary.	Salem.
1861	102	75	170	158	246	90	88	92	98	103	100	130	81	98	110
1862	71	68	72	74	144	83	92	82	156	103	143	74	116	96	110
1863	69	63	92	72	79	67	76	215	209	143	187	86	127	119	100
1864	102	91	111	87	71	67	192	201	206	172	271	144	194	203	86
1865	103	119	125	104	132	66	203	172	116	150	163	96	194	196	110
Average	89	83	114	99	134	75	130	152	157	134	173	106	142	142	103
1866	102	131	114	87	99	105	154	209	129	176	120	152	242	225	142
1867	85	73	112	88	123	75	112	91	179	170	136	100	208	264	199
1868	67	73	122	96	198	168	112	56	119	130	127	144	224	125	140
1869	140	121	219	169	237	178	118	82	190	168	226	173	188	85	123
1870	94	99	117	107	187	100	140	112	152	128	232	152	168	88	103
Average	98	99	137	109	169	125	127	110	154	154	168	144	206	157	141
1871	91	68	—	83	125	79	139	84	139	120	150	112	137	70	52
1872	74	89	126	100	148	101	114	104	155	122	110	116	118	75	50
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	102	115	114	105	113	96	99	82	75	88	98	125	70	83	102
1875	79	70	105	100	115	82	112	87	86	93	91	79	77	105	91
Average	89	88	111	98	120	92	113	91	111	105	110	106	100	87	79
1876	57	56	96	83	103	60	128	106	129	105	101	86	110	140	126
1877	100	97	120	108	94	85	171	188	301	182	167	114	130	304	278
1878	150	115	185	174	194	152	233	145	295	191	212	177	155	212	205
1879	107	108	143	135	208	200	161	146	291	172	193	159	184	147	145
1880	77	96	109	103	143	156	130	93	186	118	94	96	137	86	111
Average	98	94	131	121	148	131	165	136	240	154	153	126	143	178	173
1881	78	70	115	109	145	135	121	65	88	88	80	76	99	63	85
1882	78	70	101	97	107	84	117	63	106	100	116	106	100	69	82
1883	75	73	94	96	86	65	119	86	125	105	122	97	90	59	73
1884	74	84	107	110	93	51	118	89	171	113	109	97	102	78	85
1885	73	75	94	91	111	66	113	95	145	106	108	109	109	103	108
Average	76	74	102	101	108	80	188	80	127	102	107	97	100	74	87
1886	95	86	110	106	138	123	124	90	125	109	107	121	117	89	97
1887	104	135	157	156	199	153	126	78	123	110	134	133	139	85	80
1888	122	145	144	143	177	139	135	83	166	122	143	141	152	74	85
1889	94	137	115	116	139	86	146	89	193	116	136	145	146	84	88
1890	111	142	134	136	160	71	130	86	165	113	131	142	135	86	109
Average	105	129	132	131	163	114	132	85	154	114	130	136	138	84	90
1891	117	165	172	157	226	120	138	88	130	116	131	157	132	97	122
1892	97	115	130	111	195	127	155	104	177	142	118	143	163	141	145
1893	98	110	111	90	158	102	132	89	157	146	118	130	154	111	125
1894	92	114	98	94	116	78	122	85	141	145	100	138	145	102	113
1895	112	127	140	113	165	92	130	77	121	132	123	156	158	82	105
Average	103	126	130	113	172	104	135	89	145	136	118	145	150	107	122
1896	160	166	203	196	256	146	160	81	154	133	149	177	166	91	106
1897	162	178	229	228	338	220	202	146	335	206	202	191	262	208	144
1898	93	99	144	123	173	100	136	102	194	146	119	121	146	123	143

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No. 33.—VARIATIONS in the RETAIL PRICE of BAJRA since 1861.—(Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur.	Bellary.	Madrás.	Salem.
1861	96	70	144	128	109	64	91	97	83	111	106	86	111	—	123
1862	59	96	69	68	101	67	97	85	129	106	98	69	107	—	115
1863	57	78	83	67	96	61	109	225	172	141	216	96	129	—	100
1864	107	127	111	84	127	70	229	231	170	197	272	91	212	—	89
1865	103	117	138	98	132	80	235	174	96	178	177	128	214	—	112
Average	84	98	109	89	113	68	152	162	130	147	174	93	155	—	108
1866	101	134	124	85	112	85	161	223	106	186	110	157	247	—	148
1867	90	98	108	87	121	102	132	95	147	152	133	123	287	—	195
1868	89	100	115	100	136	178	133	75	98	147	132	123	143	—	140
1869	145	141	248	185	225	181	157	99	156	157	205	157	96	—	120
1870	88	131	111	104	161	106	191	127	126	138	197	115	99	81	100
Average	103	121	141	112	161	130	155	124	127	156	155	135	174	81	141
1871	81	79	87	95	129	90	151	84	160	124	155	—	—	—	—
1872	90	101	117	113	124	111	129	122	166	129	115	133	125	—	71
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	95	117	121	109	121	83	109	76	78	84	88	113	91	118	105
1875	76	90	100	88	106	63	128	84	87	89	89	85	111	88	96
Average	88	97	105	101	116	89	123	93	118	105	109	108	85	102	93
1876	57	65	86	77	101	54	135	106	136	108	101	82	147	135	121
1877	105	82	127	98	114	66	180	196	249	152	179	117	286	221	325
1878	158	144	185	158	156	142	270	155	235	169	209	193	222	182	211
1879	117	122	145	134	146	219	243	155	229	155	183	132	167	121	149
1880	78	95	104	101	138	187	169	97	171	120	95	95	117	101	122
Average	103	102	129	114	131	134	199	142	204	141	153	124	188	152	186
1881	78	76	120	110	129	154	123	66	92	87	86	75	81	91	95
1882	77	81	110	103	116	92	121	72	108	98	123	93	93	84	99
1883	80	86	114	104	104	56	124	87	136	104	129	88	82	86	87
1884	71	78	110	101	106	48	136	94	158	111	108	91	112	88	97
1885	72	74	97	82	115	54	141	105	145	110	111	77	111	101	122
Average	76	79	110	100	114	81	129	85	128	102	111	85	96	90	100
1886	92	83	115	108	141	79	144	90	132	109	118	—	102	104	114
1887	95	100	142	134	199	149	149	79	135	117	130	—	92	95	89
1888	128	136	152	143	185	149	162	89	165	123	146	—	106	95	98
1889	98	111	126	122	174	113	166	97	186	125	130	—	117	122	104
1890	103	104	132	129	164	90	140	92	143	116	112	—	107	122	101
Average	103	107	133	127	173	116	152	89	152	118	127	—	105	107	101
1891	122	143	163	151	211	133	138	92	140	117	122	—	120	140	126
1892	102	109	141	118	227	154	165	112	165	129	128	—	—	—	159
1893	100	99	131	92	172	133	149	88	131	120	116	—	—	—	144
1894	95	89	122	103	179	79	151	93	148	117	121	—	—	—	124
1895	108	111	145	122	144	90	150	84	118	118	134	—	—	—	109
Average	105	110	140	117	187	118	151	94	140	120	124	—	—	—	132
1896	165	165	193	191	264	169	178	102	153	130	155	—	—	—	122
1897	166	184	208	208	313	238	237	177	290	183	191	—	—	—	133
1898	92	90	135	110	173	116	153	112	156	127	121	—	—	—	177

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No. 34.—VARIATIONS in the RETAIL PRICE of RAGI since 1861—(Price of 1873 = 100).

Years.	Bellary.	Madras.	Salem.
1861	126	—	142
1862	119	—	140
1863	146	—	122
1864	238	—	105
1865	225	—	124
Average	171	—	127
1866	279	—	171
1867	334	—	246
1868	164	—	180
1869	104	—	151
1870	106	96	120
Average	197	96	174
1871	80	—	57
1872	85	—	58
1873	100	100	100
1874	98	116	114
1875	122	114	110
Average	97	110	88
1876	191	160	157
1877	359	272	364
1878	274	226	251
1879	187	145	174
1880	120	119	141
Average	226	184	217
1881	97	100	101
1882	103	94	98
1883	96	99	94
1884	114	95	99
1885	127	109	113
Average	107	99	102
1886	113	104	112
1887	100	98	96
1888	94	97	97
1889	101	102	100
1890	114	109	106
Average	104	102	102
1891	134	139	141
1892	186	170	174
1893	146	144	149
1894	139	129	131
1895	113	124	120
Average	144	141	143
1896	131	127	125
1897	214	172	162
1898	171	174	177

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No. 35.—VARIATIONS in the RETAIL PRICE of GRAM since 1861—(Price of 1873 =100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.	Jabalpur.	Nagpur.	Raipur.
1861	107	76	170	151	150	89	67	74	63	41
1862	73	58	77	74	75	65	61	69	77	47
1863	63	55	63	75	59	69	75	86	105	65
1864	92	65	89	90	73	78	83	71	197	104
1865	109	100	105	99	94	98	114	126	137	101
Average	89	71	101	98	90	80	80	85	116	72
1866	120	127	92	99	88	131	110	178	197	249
1867	107	59	116	177	117	136	74	102	197	190
1868	73	78	97	129	150	206	97	119	148	147
1869	152	139	217	234	280	281	113	178	161	231
1870	124	102	164	148	152	204	146	153	118	249
Average	115	101	137	157	157	192	108	146	164	213
1871	—	—	—	118	116	147	103	80	104	122
1872	90	94	105	177	154	88	102	88	117	118
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	103	107	99	94	84	74	93	95	85	95
1875	75	66	93	90	96	72	84	66	79	83
Average	92	92	99	104	110	96	96	86	97	104
1876	62	54	77	70	71	71	89	63	75	68
1877	95	86	98	88	77	106	110	101	102	81
1878	160	153	161	160	165	211	142	194	189	234
1879	150	134	164	157	185	257	141	179	195	236
1880	102	92	126	122	148	206	113	99	121	171
Average	114	104	125	119	129	170	119	127	136	158
1881	91	80	117	116	127	154	80	70	80	146
1882	81	82	107	109	88	106	87	75	85	106
1883	75	74	101	105	81	80	86	81	90	119
1884	77	83	100	103	76	66	80	80	86	151
1885	77	77	90	83	86	75	81	79	84	165
Average	80	79	103	103	92	96	83	77	85	137
1886	76	67	92	86	97	90	83	100	101	168
1887	88	80	121	114	132	125	102	110	109	162
1888	106	97	121	116	139	132	107	110	106	200
1889	93	92	109	104	108	104	90	126	109	221
1890	105	104	129	122	125	113	96	116	110	183
Average	94	88	114	108	120	113	96	112	107	187
1891	123	114	139	131	148	134	107	122	104	172
1892	102	96	121	112	151	136	105	126	117	204
1893	93	89	103	95	117	112	92	119	118	208
1894	92	84	92	84	88	79	76	114	98	187
1895	106	99	114	101	116	107	87	139	121	220
Average	103	96	114	105	124	114	93	124	112	198
1896	149	128	172	166	183	168	121	162	140	247
1897	226	184	259	254	279	253	175	230	210	393
1898	111	96	149	140	146	141	114	118	128	204

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No. 36.—Variations in the Retail Price of Barley since 1861.—(Price of 1873 = 100).

Years.	Patna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Amritsar.	Rawalpindi.	Karachi.
1861	53	97	56	145	163	118	68	75
1862	54	58	47	59	64	81	37	102
1863	44	52	51	59	63	94	49	68
1864	41	77	56	88	82	121	63	124
1865	90	95	88	92	97	116	69	151
Average	56	76	60	89	94	106	57	104
1866	130	106	102	93	89	94	72	92
1867	70	76	55	99	89	121	73	87
1868	63	72	83	83	89	185	135	85
1869	121	140	109	157	169	268	107	87
1870	80	90	85	115	114	173	113	129
Average	93	97	87	109	110	168	100	96
1871	85	70	59	83	90	106	105	136
1872	82	88	95	87	90	125	113	109
1873	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
1874	116	99	96	104	98	99	82	111
1875	74	71	61	93	90	107	79	96
Average	91	86	82	93	94	107	96	110
1876	70	54	54	80	77	101	69	108
1877	87	90	85	101	88	91	75	123
1878	133	116	121	141	136	146	105	148
1879	122	103	95	141	139	203	222	175
1880	88	81	76	108	107	150	196	133
Average	100	89	86	114	109	138	133	137
1881	64	76	69	99	97	121	131	117
1882	68	78	76	110	102	91	81	115
1883	83	77	75	100	100	97	66	119
1884	107	71	78	110	102	100	56	114
1885	92	68	71	85	76	102	55	113
Average	83	74	74	101	95	102	78	116
1886	83	74	69	93	91	108	72	120
1887	83	96	87	125	134	163	125	136
1888	103	105	100	132	135	175	132	136
1889	119	97	100	113	114	130	76	133
1890	116	110	108	135	133	141	78	123
Average	101	96	93	120	121	143	97	130
1891	110	118	113	148	141	180	103	137
1892	120	105	106	134	122	191	133	140
1893	114	96	95	116	101	144	112	—
1894	112	90	90	102	90	94	67	—
1895	105	107	107	126	114	126	90	—
Average	112	103	102	125	114	147	101	—
1896	133	156	138	191	190	223	161	—
1897	195	169	166	229	212	281	189	—
1898	106	91	87	133	118	146	95	—

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No. 37.—VARIATIONS in the RETAIL PRICE of the SEVEN FOOD-GRAINS mentioned in Nos. 30 to 36—
(Price of 1873 = 100).

[NOTE.—In this table the average has been taken of the prices at the stations mentioned in the foregoing tables in regard to each grain. This average may be taken to represent the general level of price of each grain in the tracts where it is most largely produced and consumed.]

Year.	Rice.	Wheat.	Jawar.	Bajra.	Ragi.	Gram.	Barley.	Total.
1861–65	103	103	122	120	149	88	80	765
1866–70	130	133	140	131	185	149	108	976
1871–75	102	95	100	102	92	98	95	684
1876–80	140	127	146	147	209	130	113	1,012
1881–85	116	96	96	99	103	93	90	693
1886–90	135	117	122	122	103	114	113	826
1891	149	135	138	137	138	129	131	957
1892	178	151	138	142	177	127	130	1,043
1893	164	125	122	123	146	115	111	906
1894	152	104	112	118	133	99	92	810
1895	141	117	121	119	119	121	111	849
1891–95	157	126	126	128	143	118	115	913
1896	162	152	154	166	128	164	170	1,096
1897	210	206	203	211	183	246	206	1,465
1898	160	144	131	160	174	135	111	985

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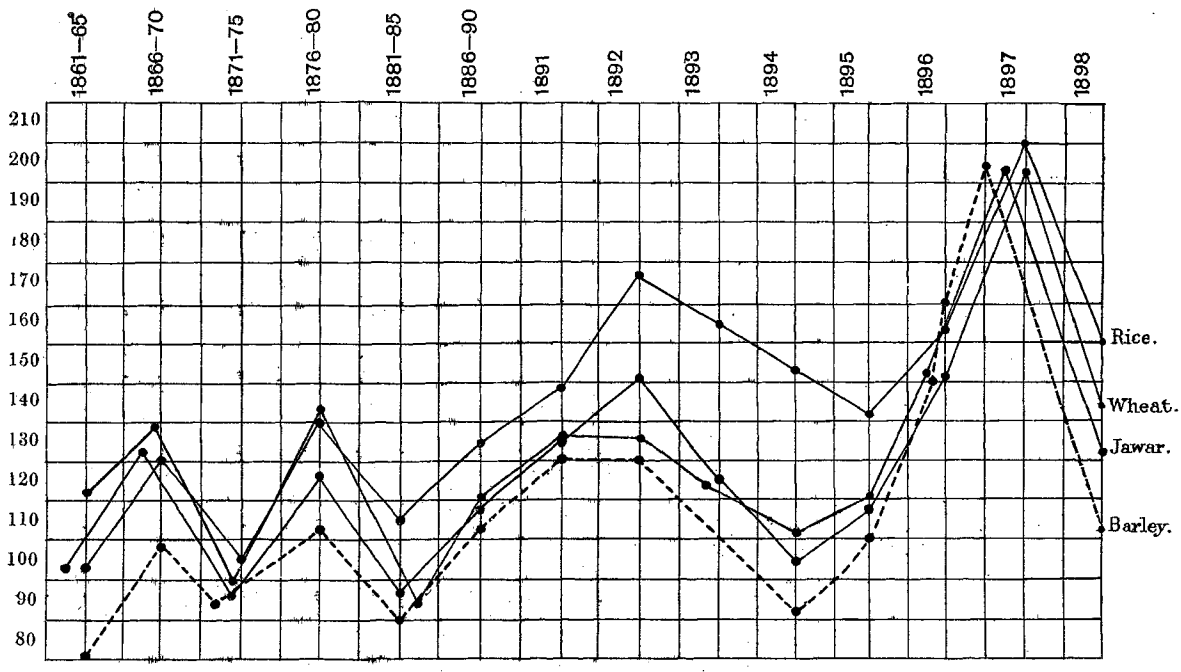
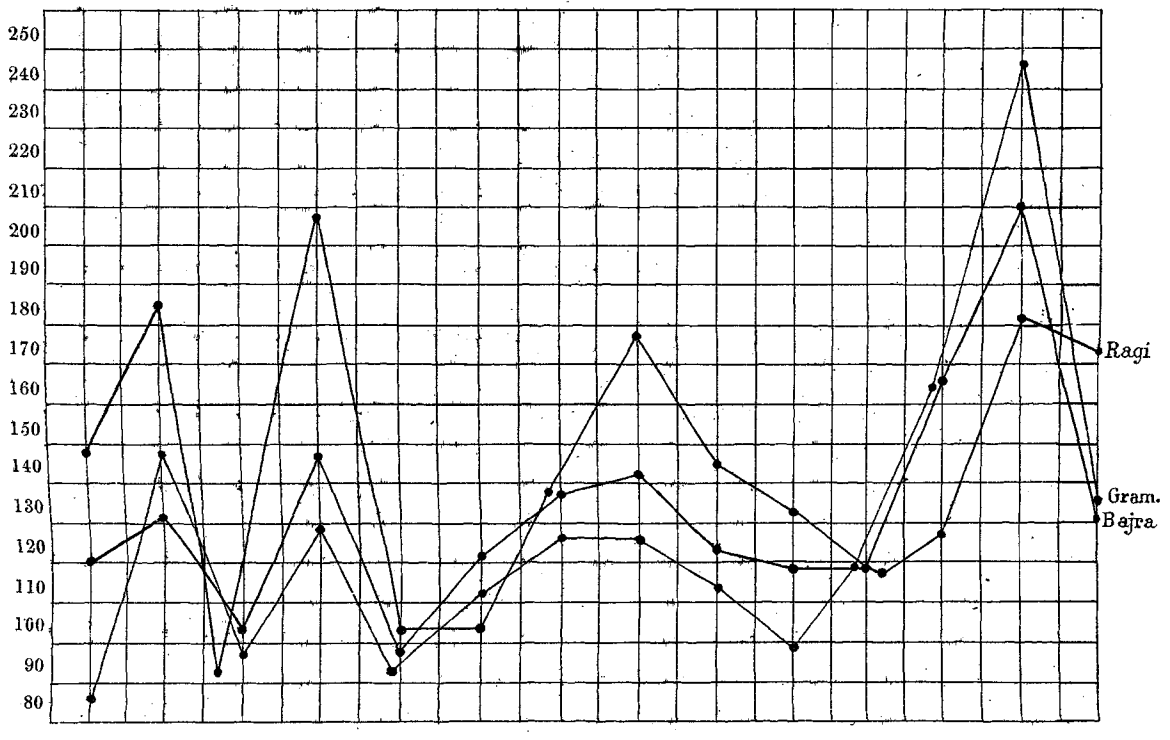
No. 38.

Diagram illustrating No. 37 (Variations in the Retail Price of Seven Food Grains).





NOTE.—The first quinquennium (1861–65) was normal.
The second „ (1866–70) included the great famine of 1866.
The third „ (1871–75) included the Behar famine of 1874 and a year of inflated prices [(1873).
The fourth „ (1876–80) included the great famine of 1877–78.
The remaining period until 1895 was normal.
The years 1896 and 1897 were years of intense famine.

There was but little indication of a *permanent* rise in prices until 1885. For nine years (a normal period) from 1885 prices continued on a comparatively high level. In 1894 and 1895 there was a tendency to a fall, which was checked by the failure of the harvests in 1896 and 1897.

No. 39.

VARIATIONS in WAGE RATES of SKILLED and UNSKILLED LABOUR in the PROVINCES of INDIA.

No. 39.—Variations in Wage Rates of Skilled and Unskilled Labour in the Provinces of India

Second half of each Year.	Calcutta.	Patna.		Rangpur.		Backerganj.	
	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.
1873	100	100	100	100	100	100	100
1874	126	100	100	100	99	100	96
1875	177	100	100	97	110	100	96
1876	178	100	100	109	111	100	96
1877	177	100	100	109	114	100	100
1878	137	100	100	—	—	100	100
1879	131	100	100	136	154	100	100
1880	137	100	100	136	154	100	100
Average	152	100	100	123	133	100	99
1881	137	100	104	136	154	100	100
1882	137	100	99	136	154	100	100
1883	137	100	104	136	154	100	100
1884	137	107	104	136	154	100	100
1885	171	129	107	136	154	100	100
Average	144	107	103	136	154	100	100
1886	174	129	107	136	154	107	100
1887	199	136	107	136	154	107	117
1888	171	129	107	136	154	100	109
1889	171	129	114	136	143	100	109
1890	171	129	114	123	171	100	122
Average	177	130	110	133	155	103	111
1891	171	129	114	123	257	100	122
1892	171	129	114	123	257	80	117
1893	177	129	99	127	257	53	109
1894	177	129	99	127	257	120	87
1895	177	129	99	127	229	167	100
Average	175	129	105	125	251	104	107
1896	177	129	99	136	200	167	100
1897	217	129	99	136	257	167	100
1898	217	129	99	136	171	167	100

the RATES for the SECOND HALF of 1873 being taken as = 100.

CAWNPORE.		FYZABAD.		MEERUT.		DELHI.		Second half of each Year.
Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	
—	—	100	100	100	100	100	100	1873
100	100	70	94	111	100	100	100	1874
100	100	87	94	111	100	89	100	1875
103	100	87	103	111	100	89	120	1876
103	100	70	105	111	111	89	112	1877
100	100	70	105	111	111	89	120	1878
103	100	81	94	111	100	89	120	1879
103	100	82	105	111	100	89	112	1880
102	100	78	102	111	104	89	117	AVERAGE.
103	100	82	102	100	100	89	112	1881
103	117	70	105	122	100	89	60	1882
103	103	59	105	122	89	89	112	1883
103	103	70	105	122	100	89	112	1884
93	147	70	102	100	122	100	133	1885
101	114	70	104	113	102	91	106	AVERAGE.
107	133	70	105	122	111	114	127	1886
120	133	70	105	122	150	100	125	1887
107	133	70	105	122	106	100	129	1888
107	133	70	105	122	150	100	122	1889
107	133	70	105	122	106	100	122	1890
110	133	70	105	122	125	103	125	AVERAGE.
120	120	70	105	122	150	100	119	1891
80	112	70	105	122	150	100	122	1892
120	112	70	105	122	122	100	122	1893
120	112	70	105	122	122	133	125	1894
120	112	70	105	122	122	100	125	1895
112	114	70	105	122	133	107	123	AVERAGE.
94	112	70	94	96	111	100	127	1896
120	112	73	82	100	117	133	131	1897
113	112	70	82	100	117	100	131	1898

No. 39.—Variations in Wage Rates of Skilled and Unskilled Labour in the Provinces of India,

Second half of each Year.	Amritsar.		Rawalpindi.		Karachi.		Belgaum.	
	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.
1873 -	100	100	100	100	100	100	100	100
1874 -	97	90	100	92	84	100	87	100
1875 -	100	104	109	104	88	122	100	114
1876 -	100	101	109	92	88	122	100	92
1877 -	100	112	109	125	88	100	103	92
1878 -	100	104	109	92	88	100	80	97
1879 -	100	104	145	117	88	100	90	94
1880 -	100	101	145	117	88	100	80	85
Average	100	104	123	108	88	104	91	92
1881 -	100	100	145	97	76	103	80	92
1882 -	100	104	145	94	88	100	107	78
1883 -	100	101	145	94	88	122	80	92
1884 -	100	101	145	104	108	122	80	92
1885 -	100	101	145	142	92	156	93	92
Average	100	101	145	106	90	121	88	89
1886 -	109	120	109	94	92	156	93	109
1887 -	92	108	109	93	128	156	93	87
1888 -	117	114	145	94	128	156	82	79
1889 -	117	114	109	123	128	156	82	79
1890 -	117	114	109	187	128	156	80	68
Average	110	114	116	118	121	156	86	84
1891 -	117	114	109	187	128	144	87	87
1892 -	117	114	109	187	120	133	89	73
1893 -	117	114	127	187	112	133	91	76
1894 -	117	114	136	187	112	133	86	74
1895 -	117	114	111	199	108	167	100	91
Average	117	114	118	189	116	142	91	80
1896 -	133	118	119	182	120	178	89	68
1897 -	133	118	119	193	108	167	80	68
1898 -	133	118	127	203	120	167	77	68

the RATES for the SECOND HALF of 1873 being taken as = 100—*continued.*

AHMADNAGAR.		BOMBAY.		AHMADABAD.		JUBBULPORE.		Second half of each Year.
Able-bodied Agricultural Labqurer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Car penter, or Blacksmith.	
100	100	100	100	100	100	100	100	1873
128	104	106	97	92	100	100	100	1874
107	95	106	97	99	114	100	100	1875
107	116	106	97	99	114	125	100	1876
128	101	106	97	115	114	125	103	1877
112	104	106	97	115	114	125	103	1878
107	89	106	97	123	114	125	100	1879
107	89	106	97	115	152	125	100	1880
112	100	106	97	113	122	125	101	AVERAGE.
107	89	106	97	123	114	125	100	1881
149	110	114	113	115	114	125	100	1882
128	100	122	103	123	127	125	103	1883
160	111	124	103	123	127	100	100	1884
160	93	122	103	123	127	100	90	1885
141	101	117	104	121	122	115	98	AVERAGE.
171	141	122	103	123	127	87	83	1886
149	144	122	106	123	127	100	83	1887
160	124	122	108	123	95	87	83	1888
160	130	122	104	123	95	87	83	1889
160	130	122	93	123	95	87	67	1890
160	134	122	103	123	108	90	80	AVERAGE.
160	130	122	93	123	95	125	83	1891
160	124	122	93	99	95	87	83	1892
160	122	122	93	99	95	87	83	1893
171	119	122	93	115	95	87	83	1894
171	133	122	93	115	95	87	82	1895
164	126	122	93	110	95	95	83	AVERAGE.
96	124	122	93	115	114	87	67	1896
128	133	122	93	115	114	87	67	1897
107	133	122	93	123	114	87	67	1898

No. 39.—Variations in Wage Rates of Skilled and Unskilled Labour in the Provinces of India,

Second half of each Year.	Nagpur.		Raipur.		Bellary.	
	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.
1873	100	100	100	100	100	100
1874	80	125	133	55	100	100
1875	60	125	133	73	100	75
1876	80	117	133	100	100	75
1877	80	125	133	91	150	91
1878	80	125	133	93	100	83
1879	80	125	133	82	100	75
1880	80	125	133	136	100	75
Average	80	123	133	100	110	80
1881	80	125	133	136	100	100
1882	80	125	167	136	100	100
1883	80	125	133	164	105	97
1884	100	125	133	164	107	88
1885	100	100	117	100	100	92
Average	88	120	136	140	102	95
1886	100	125	133	100	100	100
1887	80	125	125	102	133	100
1888	80	125	167	136	133	100
1889	80	125	133	109	133	100
1890	80	125	133	91	133	100
Average	84	125	138	108	126	100
1891	80	125	133	114	133	112
1892	80	125	217	105	156	131
1893	100	125	137	150	156	131
1894	100	125	167	182	156	131
1895	80	125	133	91	156	131
Average	88	125	167	128	151	127
1896	80	125	167	123	156	131
1897	100	125	133	136	156	131
1898	100	125	133	91	156	119

the RATES for the SECOND HALF of 1873 being taken as = 100—*concluded.*

MADRAS.		SALEM.		RANGOON.		TOUNGOO.		
Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Second half of each Year.
100	100	100	100	100	100	100	100	1873
83	100	100	125	104	106	100	100	1874
100	98	100	111	—	—	100	100	1875
83	80	100	125	100	106	80	100	1876
92	80	100	125	187	88	80	—	1877
100	93	100	108	187	88	—	—	1878
83	80	120	108	187	88	—	—	1879
83	80	100	122	167	71	67	150	1880
88	83	104	117	166	88	73	125	AVERAGE.
83	97	90	104	125	71	67	150	1881
83	97	90	104	167	71	67	150	1882
83	97	80	104	167	71	—	—	1883
83	96	93	108	133	71	67	225	1884
83	97	107	125	125	71	100	225	1885
83	97	92	109	143	71	75	187	AVERAGE.
83	97	93	111	167	71	100	225	1886
83	87	160	102	125	71	100	225	1887
83	100	160	102	125	71	100	200	1888
104	101	147	95	125	71	80	200	1889
104	101	147	98	92	88	80	200	1890
92	97	141	102	127	74	92	210	AVERAGE.
100	102	133	85	92	88	100	125	1891
100	103	150	90	108	88	93	150	1892
100	103	150	90	125	65	93	150	1893
100	103	150	90	125	65	93	150	1894
100	103	153	90	125	65	93	150	1895
100	103	147	89	115	74	94	145	AVERAGE.
100	103	153	90	125	106	93	150	1896
100	103	153	91	125	106	93	150	1897
100	103	168	95	125	106	93	150	1898

J. E. O'CONOR.

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No. 40.—Abstract of Table No. 39, showing the Average Wage Rates, for India generally, of Skilled and Unskilled Labour.

—	Unskilled. Agricultural Labour.	Skilled. Common Mason, Carpenter, or Blacksmith.	—	Unskilled. Agricultural Labour.	Skilled. Common Mason, Carpenter, or Blacksmith.
1873 - -	100	100	1891–95 - -	116	123
1876–80 - -	105	107	1896 - -	116	121
1881–85 - -	107	113	1897 - - -	119	127
1886–90 - -	113	120	1898 - -	118	121

J. E. O'Conor.

No. 41.—Wages of Postal Runners and Postmen. (In Rupees and decimals of a Rupee.)

Province.	1860.	1870.	1875.	1880.	1885.	1890.	1896.	1897.	1898.
Postal Runners.									
Bengal - -	3·7	4·4	4·4	4·5	5·1	5·3	5·0	5·55	5·55
Punjab - -	4·1	4·75	5·0	5·0	5·0	5·0	5·25	5·25	5·25
Sind - -	5·0	5·75	6·5	6·5	7·0	7·0	7·0	7·0	7·0
Bombay - -	5·0	8·0	7·0	7·0	6·5	7·0	7·0	7·0	7·0
Central Provinces -	—	—	5·0	5·0	5·5	5·5	6·0	6·0	6·0
Madras - -	3·87	6·5	6·25	6·25	6·25	6·5	6·75	6·5	6·5
Postmen.									
Assam - -	5·0	10·5	10·0	10·0	11·5	12·25	12·25	12·25	12·25
Bengal - -	6·7	8·7	9·0	10·0	10·8	10·25	10·5	10·5	10·53
Rajputana - -	5·75	8·4	8·25	8·25	9·25	9·5	9·25	9·25	9·25
Central India -	6·0	8·6	8·0	8·0	9·2	9·2	9·2	9·2	9·2
Punjab - -	7·3	9·12	8·1	8·1	9·2	10·3	9·42	9·42	9·42
Sind - -	7·3	9·12	9·75	10·5	11·6	11·6	11·95	11·95	11·95
Bombay - -	6·5	11·2	11·3	11·5	11·7	11·55	11·13	11·13	11·13
Central Provinces -	5·75	8·8	7·75	7·75	9·6	9·3	9·3	9·3	9·3
Madras - -	6·6	9·3	8·65	8·9	9·9	9·6	9·7	10·0	10·0

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No. 43.—Wages in a Cotton Mill at Cawnpore.

—	1883.	1884.	1885.	1890.	1897.	1898.	1899.
Card Room: Head mistry - -	17	17	17	24·8	32·1	33·9	37·4
Card cleaner - -	5	5	5	5·25	7·5	7·5	8·3
Spare hands - -	4·5	4·5	5	5·25	5·5	5·6	5·9
Mule Room: Head mistry - -	9	9	8·5	19·6	33·8	34·7	37·5
Minder - -	5	5	5	6·37	6·36	6·58	6·84
Spare hands - -	4·5	4·5	5	5	5·4	5·7	5·8
Weaving Department: Mistry - -	8	12	13·5	18	19·8	21·3	23·6
Healder - - -	4·5	4·5	5	5·5	7·5	7·12	9·5

—	1883.	1884.	1885.	1890.	1897.	1898.	1899.
Finishing Department: Washing and bleaching man.	—	5	5	5·5	6·15	5·72	5·82
Finishing man - -	—	5	5	5·5	6·37	6·15	6
Engineering Shop: Boiler mistry - -	6	6	6	9	8·6	8·4	8·1
Engine man - -	6	6	8	11	13·3	10·9	10·3
Oilman - - -	5	5	6	6	6·33	6·33	6·21
Boiler man - -	5	5	6	6	7·17	7·17	6·91
Carpenter - -	10	10	10	10	10·79	10·99	11·0
Blacksmith - -	10	10	11·5	13·5	13·5	13·5	15·4

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No. 44.—Wages in another Cotton Mill at Cawnpore.

—	1878.	1880.	1885.	1890.	1897.	1898.	1899. Jan.
Card Room: Men - - -	5	5·5	5·5	5·5	6·12	6·12	6·12
Children - - -	2·5	2	2·5	3	4·25	4·25	4·25
Mule Room: Men - - -	4	4	4·25	6·25	5	5	5
Children - - -	3	2·75	3	2·5	4·25	4·25	4·25

—	1878.	1880.	1885.	1890.	1897.	1898.	1899. Jan.
Throstle Room: Men - - -	3·5	4	4·25	4·75	5	5	5
Children - - -	2	2	3	3	4·25	4·25	4·25
Weaving Room: Men - - -	4·75	4·75	5·75	6·5	6·43	6·43	6·43
Children - -	2·5	3	3	3·5	4	4	4

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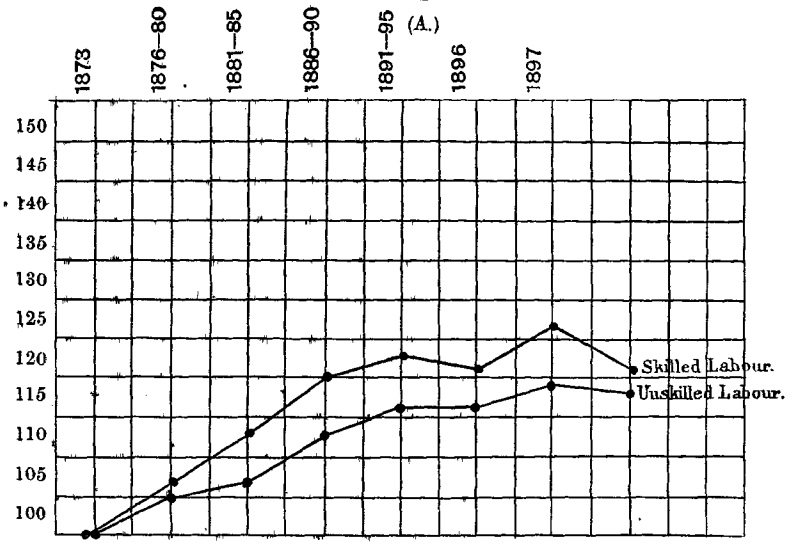
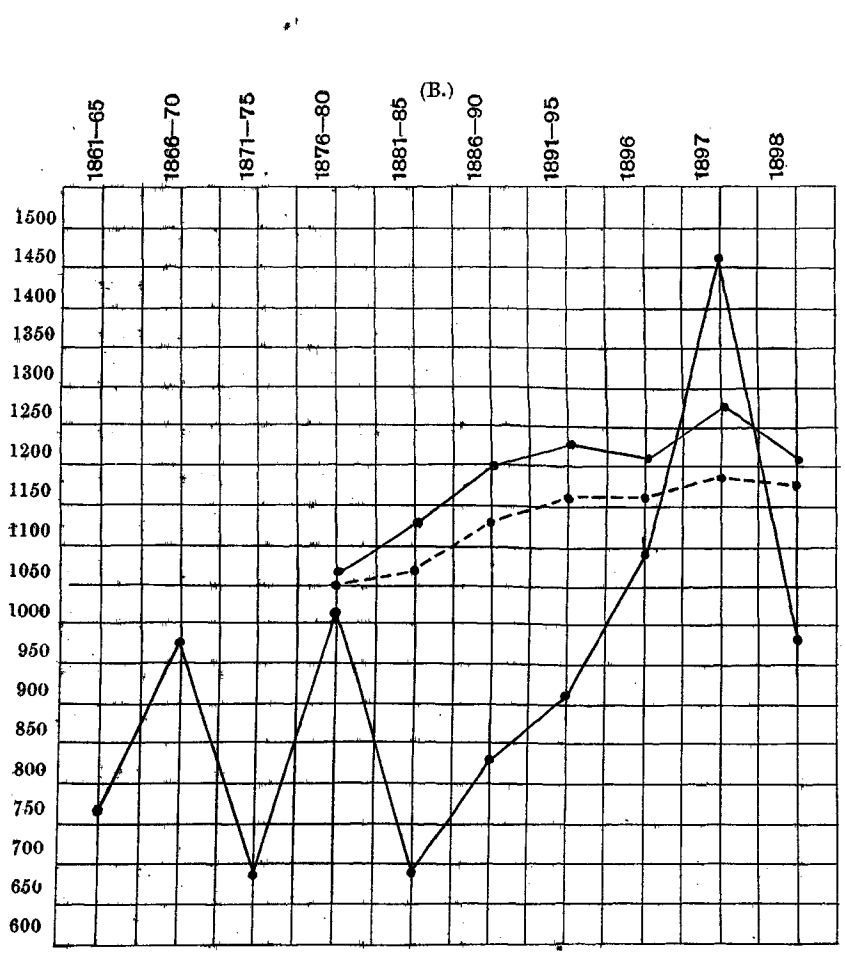
No. 42.

Diagrams illustrating the Comparative Levels of Prices and Wages in India.

(A.)



(B.)



Black Unbroken Line: Prices of the principal Food Grains. ——

Black Broken Line: Wages of Unskilled (agricultural) Labour. - - - - -

Red Line: Wages of Skilled Labour (common Mason, Carpenter, or Blacksmith) ——

No. 45.—Wages in the Army Equipment Factory, Cawnpore.

	1886.	1889.	1892.	1894.	1897.	1898.	1899.		1886.	1889.	1892.	1894.	1897.	1898.	1899.
Mistry - - -	12	16	23	30	30	30	30	Cutters - - -	6·5	6·5	6·5	–	6·12	7	7
Carpenters - -	9	9·5	11·5	12	12	13	13	Curriers - -	5·5	6·5	6	6	7	7	7
Machine Operatives -	7	8	10	14	16·45	17	17	Storemen - - -	5	5·5	5·5	5·25	6·26	6·26	6·26
Saddlers - - -	7	7·5	8	12	13	14	14	Tanners - -	4·5	5·5	5·5	6·12	5·52	6	6
Work Distributors -	5·5	6	6·5	7	7	7	7	Peons - - -	5	5·5	5·5	5·25	5·33	5·4	5·4

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No. 46.—Wages in the Brewery at Rawal Pindi, Punjab.

	1873.	1880.	1885.	1892.	1897.	1898.	1899.		1873.	1880.	1885.	1892.	1897.	1898.	1899.
Head Cooper - -	17	25	20	22	22·5	25	25·5	Coolies - - -	6·73	5·83	6·27	6·5	6·5	6·5	6·5
Coopers - - -	12·13	13·52	15·26	14·75	14·86	14·79	14·52	Coolies - - -	6·5	6	7	6·5	6·5	6·5	6·5
Smiths - - -	9	15·33	15·75	17·75	20	22·5	19·5	Head Maltmen -	7	7	8	8	8·25	8·25	9
Masons - - -	12	13·85	15·22	17	15·42	15·07	15·32								

J. E. O'Conor.

No. 47.—Revenue and Expenditure of India, and Surplus and Deficit, each Year, from 1873–74 to 1898–99; also Amount of Debt and of Capital Outlay on Railways and Irrigation Works at End of 1873–74, compared with Debt and Outlay at End of 1898–99.

Year.	Revenue.	Expenditure.	Surplus.	Deficit.
1873–74	56,412,370	58,220,038	—	1,807,668
1874–75	58,011,148	57,691,951	319,197	—
1875–76	58,965,159	57,375,904	1,589,255	—
1876–77	58,651,907	61,239,073	—	2,587,166
1877–78	61,972,481	66,234,521	—	4,262,040
1878–79	65,189,077	63,054,979	2,134,098	—
1879–80	68,433,085	69,660,978	—	1,227,893
1880–81	74,290,112	77,921,506	—	3,631,394
1881–82	75,684,987	72,089,536	3,595,451	—
1882–83	70,278,337	69,603,500	674,837	—
1883–84	71,842,020	69,962,313	1,879,707	—
1884–85	70,690,681	71,077,127	—	386,446
1885–86	74,464,197	77,265,923	—	2,801,726
1886–87	77,337,134	77,158,707	178,427	—
1887–88	78,759,744	80,788,576	—	2,028,832
1888–89	81,696,678	81,659,660	37,018	—
1889–90	85,085,202	82,473,170	2,612,033	—
1890–91	85,741,649	82,053,478	3,688,171	—
1891–92	89,143,283	88,675,748	467,535	—
1892–93	90,172,438	91,005,850	—	833,412
1893–94	90,565,214	92,112,212	—	1,546,998
1894–95	95,187,429	94,494,319	693,110	—
1895–96	98,370,167	96,836,169	1,533,998	—
1896–97	94,129,741	95,834,763	—	1,705,022
1897–98	96,442,004	101,801,215	—	5,359,211
1898–99 (Revised Estimate).	101,566,100	97,506,700	4,059,400	

Debt.

	England. Sterling £.	India Rx.
End of 1873–74 -	41,117,617	66,417,290
„ 1898–99 -	124,268,605	112,650,434

Much of the Debt incurred, other than that which was spent on public works, was due to the suppression of the Mutiny, to Wars, and to Famines.

Outlay on Railways and Irrigation.

	Rx.
At end of 1873–74 - -	11,973,487
„ 1898–99 - -	143,183,444

The Outlay on Railways and Irrigation does *not* include Outlay charged against Revenue.

The total Surplus and Deficit was :—

	Surplus.	Deficit.
To end of 1892–93 - - - - -	17,175,729	19,566,577
„ 1898–99 - - - - - - -	23,462,237	28,177,808

Net Deficit.

At end of 1892–93 - - -	2,390,848
„ 1898–99 - - - -	4,715,571

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No. 48.—Railway Revenue and Expenditure for the 24 Years ending 1898-99.

Year.	Revenue.	Expenditure.	Expenditure more than Revenue.	Year.	Revenue.	Expenditure.	Expenditure more than Revenue.
	Rx.	Rx.	Rx.		Rx.	Rx.	Rx.
1875-76	4,574,507	6,133,267	1,558,760	1889-90	16,605,601	18,458.202	1,852,601
1876-77	5,494,802	6,641,009	1,146,207	1890-91	17,235,978	17,923,269	687,291
1877-78	7,243,730	7,393,880	150,150	1891-92	19,938,046	20,253,910	315,864
1878-79	6 255,612	8,331,307	2,075,695	1892-93	19,077,103	20,924,155	1,847,052
1879-80	7,349,004	8,919,482	1,570,478	1893-94	20,296,973	21,832,476	1,535,503
1880-81	9,435,336	10,479,386	1,044,050	1894-95	21,244,160	23,592,649	2,348,489
1881-82	10,885,483	11,171,067	285,584	1895-96	21,859,189	23,479,457	1,620,268
1882-83	10,973,030	12,278,890	1,305,860	1896-97	20,297,820	22,957,801	2,659,981
1883-84	11,960,157	12,265,069	304,912	1897-98	21,260,886	22,693,502	1,432,616
1884-85	11,898,131	12,949,882	1,051,751	1898-99	22,736,400	23,614,500	878,100
1885-86	13,684,084	14,415,797	731,713	(Revised			
1886-87	14,477,759	15,666,427	1,188,668	Estimate).			
1887-88	14,533,360	16,655,746	2,122,386				
1888-89	15,520,696	17,754,088	2,233,392	Total	344,837,847	376,785,218	31,947,371

J. E. O'Conor.

No. 49.—Table of Offences against the Coinage from 1889 to 1897.

Year.	Counterfeiting Coins (Secs. 231 and 232, I.P.C.).			Making, buying, or selling Instruments for Counterfeiting Coins (Secs. 233 and 234, I.P.C.).			Possessing Instruments or Materials for Counterfeiting Coins (Sec. 235, I.P.C.).			Abetting in India the Counterfeiting of Coins (Sec. 236, I.P.C.).			Importing or Exporting Counterfeited Coins (Secs. 237 and 238, I.P.C.).			Possessing and Delivering Counterfeited Coin (Secs. 239, 240, 241, 242, and 243, I.P.C.).		
	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.
1889	29	43	24	1	1	1	28	43	19	1	1	1	1	1	1	459	548	294
1890	18	28	13	1	2	—	27	48	27	1	2	1	2	3	—	467	532	304
1891	23	40	23	1	2	—	22	37	17	4	4	3	2	5	4	521	628	356
1892	28	48	38	—	—	—	21	29	19	—	—	—	1	—	—	567	676	415
1893	24	43	29	3	3	2	17	21	9	—	—	—	7	10	4	490	556	305
1894*	26	43	16	1	4	1	19	40	21	1	1	—	10	15	13	536	633	386
1895	27	55	29	3	8	7	23	48	20	—	—	—	2	2	1	594	676	421
1896	26	47	22	1	2	—	47	91	42	—	—	—	3	3	2	584	690	380
1897	39	68	47	11	13	7	47	80	43	—	—	—	4	4	1	707	798	518

Year.	Causing Coins to be of different Weight or Composition from that fixed by Law (Secs. 244 246, and 247, I.P.C.).			Taking Coining Instruments from a Mint (Sec. 245, I.P.C.).			Fraudulently altering Appearance of any Coin (Secs. 248 and 249, I.P.C.).			Possessing and Delivering altered Coin (Secs. 250, 251, 252, 253, and 254, I.P.C.).			Total.		
	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.	Number of cases brought to trial.	Number of persons tried.	Number of persons convicted.
1889	1	1	—	1	1	—	55	66	49	195	213	161	771	918	550
1890	8	10	7	1	1	—	49	51	34	195	203	142	769	880	528
1891	1	1	1	—	—	—	50	56	42	168	195	132	792	968	578
1892	8	10	7	1	1	—	46	51	40	175	190	136	846	1,005	650
1893	6	13	2	—	—	—	31	45	23		202	119	746	893	493
1894*	7	9	3	—	—	—	47	58	40		187	121	812	990	601
1895	5	6	3	—	—	—	46	57	39		187	124	858	1,039	644
1896	4	4	2	—	—	—	46	55	29	164	180	112	875	1,072	589
1897	2	3	2	—	—	—	76	86	62	215	243	172	1,101	1,295	852

* The figures for 1894 and the three following years include figures for the Native States, which were received for the first time in 1894.

J. E. O'Conor.

No. 50.—Imports and Exports of Government of India Rupees into and from British India by Sea from and to Foreign Countries since October 1893 (including Government transactions).

Month.	1893–94.				1894–95.			
	Imports.		Exports.		Imports.		Exports.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	*	*	*	*	277,543	7,40,119	529,924	14,13,132
May	*	*	*	*	235,666	6,28,449	473,246	12,61,990
June	*	*	*	*	196,427	5,23,812	699,937	18,66,500
July	*	*	*	*	271,407	7,23,754	631,867	16,84,980
August	501,636	13,35,085	*	*	269,647	7,19,058	759,731	20,25,950
September	283,564	7,55,480	*	*	205,834	5,48,894	131,418	3,50,450
October	301,426	8,03,777	883,611	23,56,300	221,361	5,90,295	744,075	19,84,200
November	219,377	5,84,474	77,055	2,05,477	202,179	5,39,147	258,506	6,89,350
December	403,404	10,75,743	103,574	2,76,199	270,957	7,22,552	233,887	6,23,700
January	504,097	13,44,264	87,037	2,32,100	301,004	8,02,679	186,637	4,97,700
February	498,430	13,29,153	273,300	7,28,800	224,001	5,97,336	137,175	3,65,800
March	459,728	12,25,943	205,827	5,42,825	461,410	12,30,427	350,198	9,33,862
Total	3,171,662	84,53,919	1,630,404	43,41,701	3,137,436	83,66,522	5,136,601	1,36,97,614

Month.	1895–96.				1896–97.			
	Imports.		Exports.		Imports.		Exports.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	236,587	6,30,902	466,613	12,44,300	169,362	4,51,636	483,338	12,88,900
May	343,782	9,16,753	30,225	80,600	209,137	5,49,953	353,062	9,41,500
June	105,654	2,81,743	534,525	14,25,400	152,126	4,05,668	966,449	25,77,200
July	176,592	4,70,912	502,181	13,39,150	181,369	4,83,651	1,201,239	32,03,308
August	348,580	9,29,546	740,043	19,73,450	194,349	5,18,267	922,033	24,58,758
September	72,436	1,93,165	801,937	21,38,500	161,717	4,31,243	648,769	17,30,053
October	197,788	5,27,434	332,250	8,86,000	225,238	6,00,637	745,444	19,87,853
November	138,378	3,69,013	267,750	7,14,000	214,517	5,72,048	394,566	10,52,175
December	140,551	3,74,807	99,037	2,64,100	324,675	8,65,805	77,662	2,07,100
January	259,869	6,92,985	245,625	6,55,000	879,549	23,45,470	8,124	21,663
February	335,013	8,93,373	12,375	33,000	474,915	12,66,419	120,637	3,21,700
March	433,264	11,55,373	76,875	2,05,000	641,470	17,10,590	133,500	3,56,000
Total	2,788,494	74,36,006	4,109,436	1,09,58,500	3,828,424	1,02,01,387	6,054,823	1,61,46,210

Month.	1897–98.				1898–99.			
	Imports.		Exports.		Imports.		Exports.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	372,148	9,92,400	1,231,875	32,85,000	200,508	5,34,362	760,368	20,27,650
May	355,289	9,47,440	630,000	16,80,000	217,639	5,80,739	368,594	9,66,250
June	408,860	10,90,299	316,312	8,43,500	350,049	9,32,057	914,945	24,26,520
July	323,092	8,61,582	693,469	18,49,256	220,630	5,88,352	631,226	16,83,270
August	240,654	6,41,743	652,881	17,41,015	95,310	2,53,763	982,347	26,19,530
September	202,341	5,39,578	123,690	3,29,842	99,995	2,66,306	381,712	10,17,900
October	464,677	12,39,149	681,131	18,16,350	64,698	1,72,528	729,749	19,46,000
November	305,128	8,13,687	490,650	13,08,400	76,381	2,03,222	603,637	16,09,700
December	205,418	5,47,789	166,424	4,43,800	64,863	1,72,968	1,141,312	30,43,500
January	562,092	14,98,927	57,600	1,53,600	120,585	3,21,569	184,875	4,93,000
February	554,851	14,79,615	423,799	11,30,131				
March	148,517	3,96,054	299,617	7,98,980				
Total	4,143,067	1,10,48,263	5,767,448	1,53,79,874				

* Figures not available.

J. E. O'Conor.

No. 51.—TOTAL VALUE of the EXPORTS of MERCHANDISE (INDIAN) from INDIA, and RATE of EXCHANGE, from 1876–77 to 1898–99.

Year.	Value.	Increase (+) or Decrease (−) per cent.	Exchange.	Increase (+) or Decrease (−) per cent.	Year.	Value.	Increase (+) or Decrease (−) per cent.	Exchange.	Increase (+) or Decrease (−) per cent.
	Rx.		*s. d.*			Rx.		*s. d.*	
1876–77	58,930,069	—	1 8·49	—	1888–89	92,642,735	+ 7·2	1 4·38	− 3·08
1877–78	63,143,533	+ 7·1	1 8·79	+ 1·4	1889–90	99,101,055	+ 7·0	1 4·56	+ 1·09
1878–79*	58,707,928	− 7·0	1 7·79	− 4·8	1890–91	95,902,193	− 3·2	1 6·09	+ 9·2
1879–80	64,950,833	+10·6	1 7·96	+ 0·8	1891–92	103,550,831	+ 7·9	1 4·76	− 7·9
1880–81	71,974,068	+10·8	1 7·95	− 0·04	1892–93	101,945,707	− 1·5	1 2·98	−10·6
1881–82	79,255,243	+10·1	1 7·89	− 0·3	1893–94	102,015,615	+ 0·07	1 2·54	− 2·9
1882–83	80,598,155	+ 1·7	1 7·52	− 1·9	1894–95	103,757,585	+ 1·7	1 1·1	− 9·9
1883–84	85,085,720	+ 5·5	1 7·54	+ 0·1	1895–96	109,545,624	+ 5·6	1 1·64	+ 4·1
1884–85	80,313,208	− 5·6	1 7·31	− 1·1	1896–97*	99,880,660	− 8·8	1 2·45	+ 5·9
1885–86	80,734,731	+ 0·5	1 6·25	− 5·5	1897–98*	93,786,101	− 6·1	1 3·40	+ 6·5
1886–87	84,908,994	+ 5·2	1 5·44	− 4·4	1898–99	109,351,733	+16·6	1 3·98	+ 3·8
1887–88	86,370,022	+ 1·7	1 4·90	− 3·0					

* Famine years.

J. E. O'CONOR.

No. 52.—TABLE showing the FLUCTUATIONS in the EXCHANGE VALUE of the RUPEE and in the QUANTITIES EXPORTED of the STAPLE ARTICLES of TRADE (*omitting* 000 *in figures relating to quantities*).—1885–86 to 1897–98.

	Exchange.	Wheat.	Rice.	Cotton.	Seeds.	Indigo.	Jute.	Cotton yarn.	Tea.	Jute Sacks.
	Pence.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.	Lbs.	Lbs.	Number.
1885–86	18·3	21,060	27,814	4,190	17,280	132	7,782	78,242	68,784	63,760
1886–87	17·4	22,263	26,460	5,433	15,866	138	8,307	91,804	78,703	64,570
1887–88	16·9	13,538	28,149	5,375	16,060	140	9,643	113,451	87,514	74,368
1888–89	16·4	17,610	22,768	5,331	15,570	142	10,553	128,907	97,011	99,791
1889–90	16·5	13,799	26,774	6,320	15,795	157	10,256	141,950	103,760	97,416
1890–91	18	14,320	34,474	5,914	14,799	118	11,986	169,275	107,015	98,749
1891–92	16·8	30,303	32,740	4,425	19,164	125	8,532	161,253	120,149	106,251
1892–93	15	14,973	27,395	4,789	16,509	127	10,537	189,175	114,722	123,975
1893–94	14·5	12,156	24,020	4,789	24,229	131	8,690	134,066	126,332	131,267
1894–95	13·1	6,887	33,722	3,385	20,837	166	12,977	158,854	129,099	143,444
1895–96	13·6	10,003	34,636	5,248	13,672	187	12,267	184,362	137,710	163,247
1896–97	14·4	1,910	27,820	5,216	11,398	170	11,464	195,996	148,908	165,946
1897–98	15·4	2,393	26,272	3,722	12,552	134	15,023	199,719	151,452	197,620
1898–99	16	19,524	37,393	5,411	19,280	135	9,864	219,624	157,471	180,896
1885–86	100	100	100	100	100	100	100	100	100	100
1886–87	95	105	95	130	92	104	107	117	114	101
1887–88	92	64	101	128	93	105	124	145	127	116
1888–89	90	83	82	127	90	107	135	164	141	156
1889–90	90	65	96	151	91	118	132	181	150	153
1890–91	98	68	123	141	85	90	154	216	155	155
1891–92	93	144	118	105	111	94	109	206	174	167
1892–93	82	71	98	114	95	95	135	240	166	194
1893–94	79	58	86	114	140	99	113	171	180	206
1894–95	71	32	121	81	121	125	167	203	184	225
1895–96	74	47	124	125	79	141	157	235	200	264
1896–97	78	9	100	124	66	128	147	250	216	260
1897–98	84	11	94	90	72	101	193	255	220	310
1898–99	87	93	134	129	112	102	127	281	229	284

J. E. O'CONOR.

No. 53.—REVENUE (in Millions of Rx.) from each SOURCE of TAXATION IN INDIA.

Year.	Land Revenue.	Salt.	Opium.	Excise.	Stamps.	Customs.	Provincial Rates.	Assessed Taxes.	Registration.
1885–86	22·592	6·34	8·94	4·15	3·66	1·20	2·96	0·50	0·31
1886–87	23·055	6·66	8·94	4·37	3·75	1·25	2·99	1·35	0·30
1887–88	23·189	6·67	8·51	4·53	3·87	1·35	3·03	1·43	0·31
1888–89	23·016	7·67	8·56	4·70	3·93	1·33	3·05	1·52	0·33
1889–90	23·981	8·19	8·58	4·89	4·09	1·51	3·41	1·59	0·35
1890–91	24·045	8·52	7·88	4·95	4·07	1·74	3·49	1·62	0·36
1891–92	23·966	8·63	8·01	6·12	4·26	1·70	3·50	1·65	0·40
1892–93	24·905	8·65	7·99	5·24	4·45	1·62	3·71	1·68	0·43
1893–94	25·589	8·23	6·62	5·39	4·51	1·68	3·51	1·74	0·41
1894–95	25·408	8·66	7·32	5·53	4·62	3·85	3·54	1·81	0·42
1895–96	26·200	8·86	7·12	5·72	4·73	5·02	3·71	1·83	0·42
1896–97	23·974	8·42	6·41	5·61	4·78	4·49	3·53	1·87	0·46
1897–98	25·684	8·59	5·18	5·49	4·84	4·64	3·72	1·89	0·49
1898–99 (Revised Estimate).	27·679	9·05	5·68	5·73	4·84	4·90	3·95	1·93	0·45
1899–1900 (Budget Estimate).	27·642	8·76	6·00	5·78	4·89	4·65	3·95	1·95	0·46

NOTE.—The following additional taxation has been imposed since 1884, the approximate amounts of gross revenue realisable from each source being shown against each:—

	Rx.
I. Income Tax (including that in Burma)	1,800,000
II. Duty on Petroleum	155,000
III. Enhancement of Duty on Salt	1,600,000
IV. Increase of Duty on Imported Spirits	100,000
V. General Import Duties (including additional Duty on Petroleum and Duty on Silver)	1,600,000
VI. Import Duty on Cottons	900,000
VII. Increase of Kohat Salt Duty	50,000
VIII. Re-imposition of the Patwari Cess in the North-Western Provinces	200,000
Total	6,405,000

(1.) The income tax was imposed in 1886, replacing a provincial license tax, which yielded in the last year of its operation about a third of the yield of the income tax in the first year of its operation.

(2.) A duty was imposed in 1888 on imported petroleum, and the duty was doubled in 1894; non-illuminating petroleum, which had always been exempt, being also taxed at 5 per cent. in that year.

(3.) The salt duty was raised in 1888 in India from Rs. 2 to Rs. 2½, and in Burma from 3 annas to 1 rupee, per maund.

(4.) The rates of duty on imported spirit were raised in 1890.

(5.) An import duty of 6 annas per maund was levied on salted fish in 1893.

(6.) The import duties generally were abolished in 1882, only arms and ammunition, liquors, opium, and salt being retained on the list of dutiable imports. As stated above (4), the duty on spirit was raised in 1890, and in 1894 the whole of the customs duties taken off in 1882 were re-imposed, with the addition of a duty on silver.

(7.) The excise duties on spirit were raised when the duty on imported spirit was increased, and in every province additions have been made to the rates from time to time since. An excise duty has also been imposed on malt liquor.

(8.) The Patwari Cess in the North-Western Provinces was repealed in 1882, but was re-imposed in 1888.

(9.) No remissions or reductions of taxation can be noted as a set off against the taxation which has been imposed since 1886. The additional taxation would not have been necessary but for the fall in exchange.

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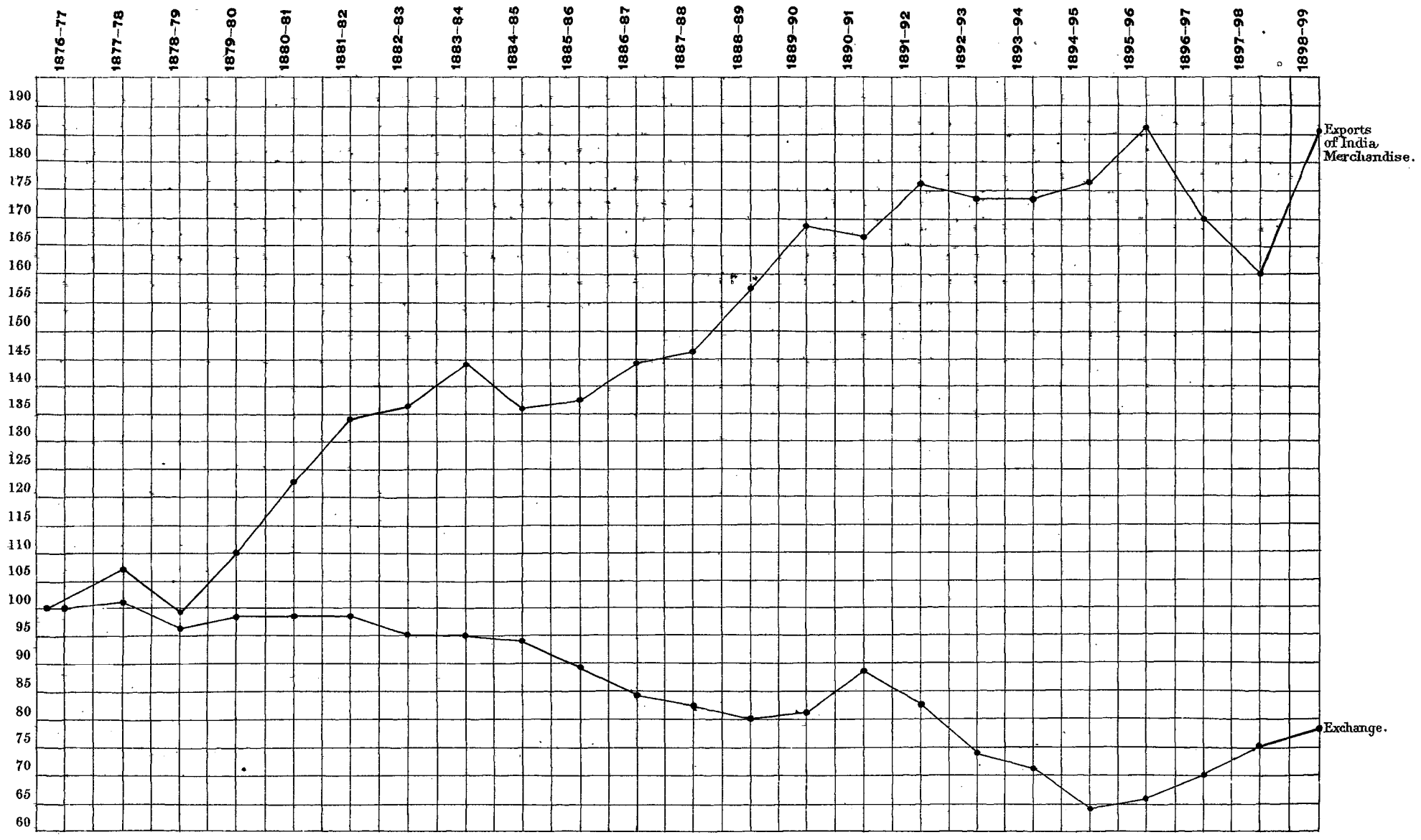
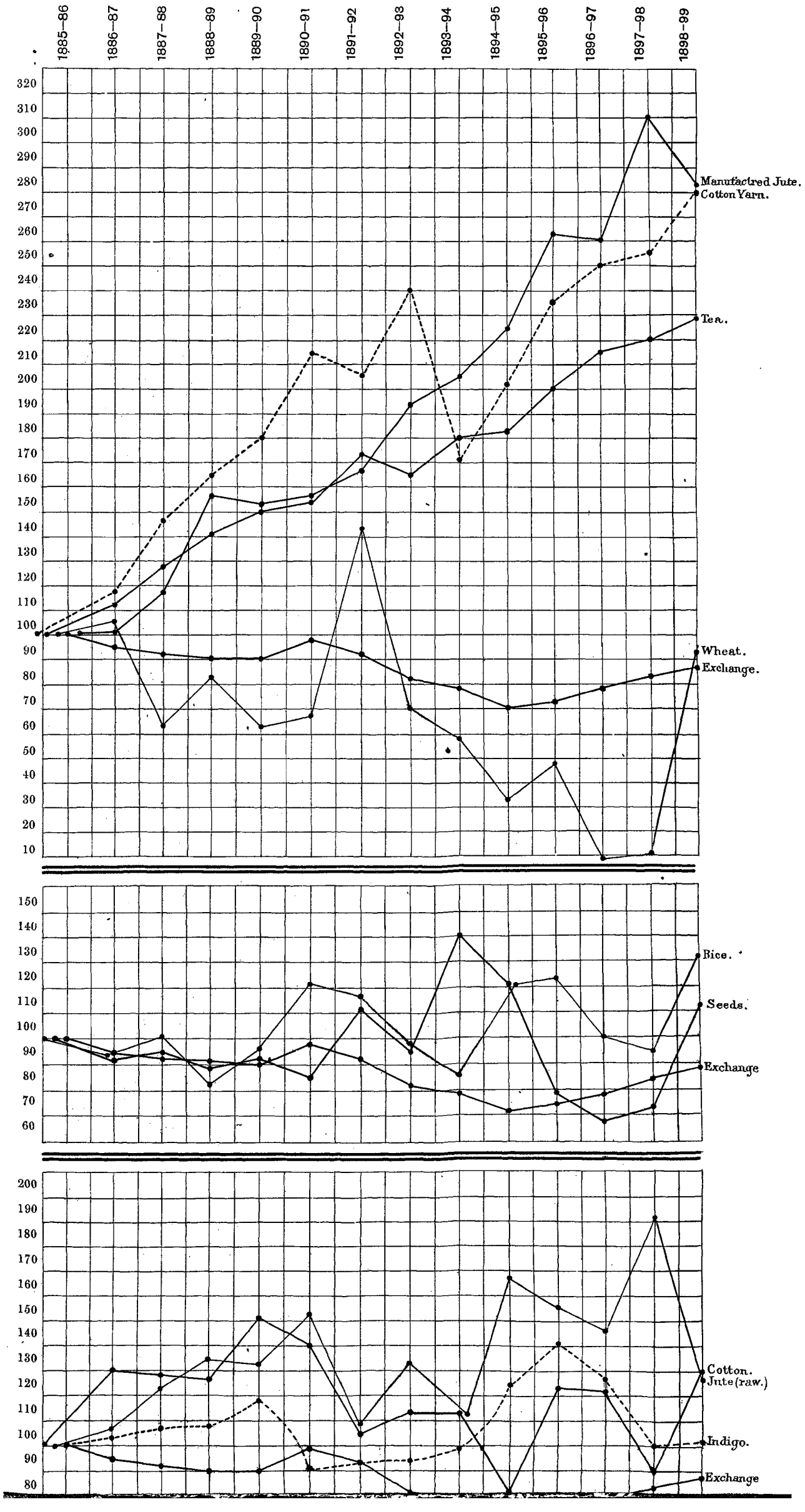
No. 54.—Diagram illustrating No. 51 (Exports and Exchange).



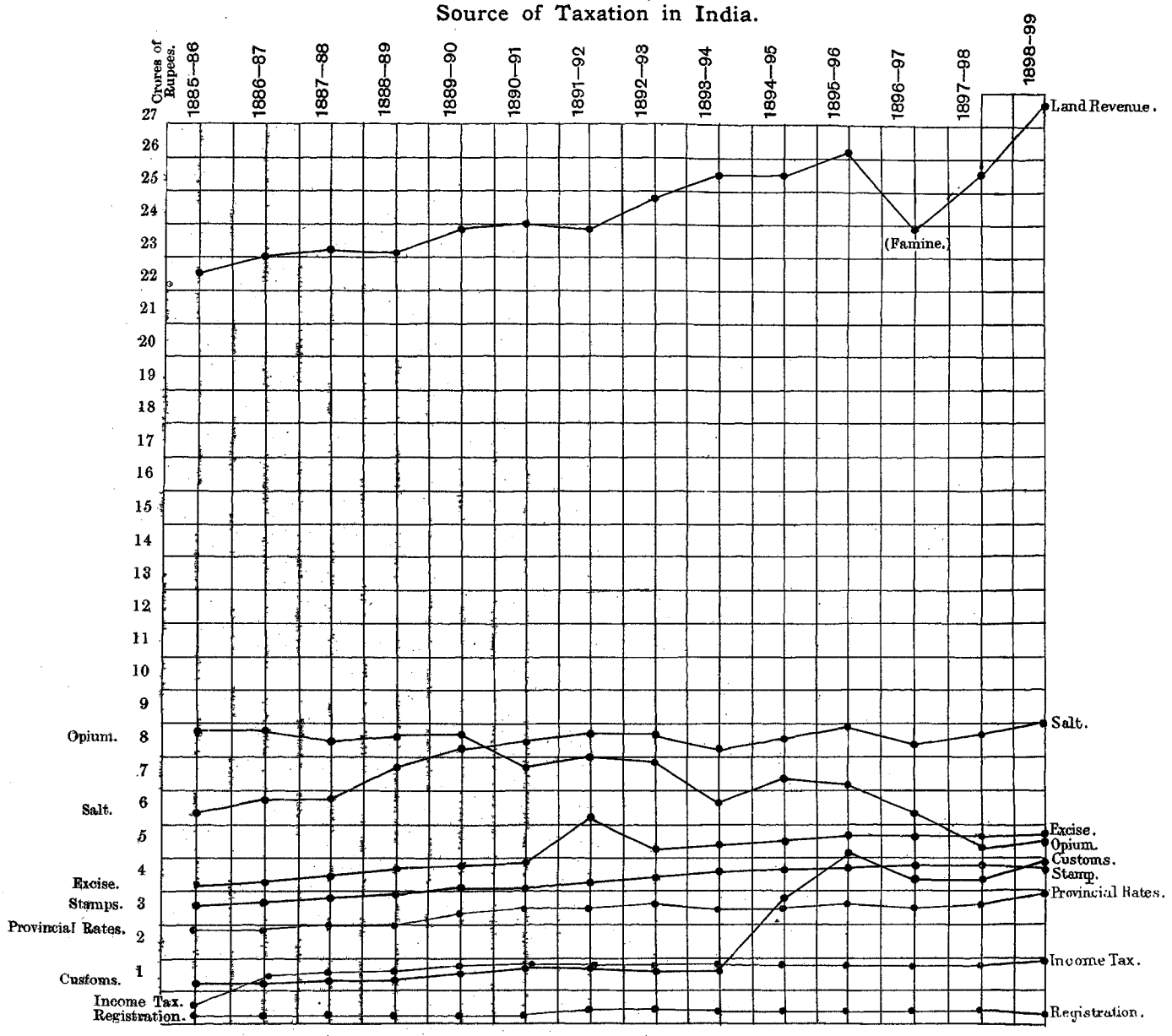
No. 55

Diagram illustrating No. 52 (Exports of Staple Articles of Trade and Exchange).



No. 56.

Diagram illustrating No. 53 (Revenue from each Source of Taxation in India.



No. 57.

CHINA TEA: PARTICULARS of EXPORTATION DIRECT to FOREIGN COUNTRIES for 1897 (*prepared by Sir Alfred Dent, K.C.M.G.*).

(*Extracted from the "Imperial Maritime Customs Trade Reports, 1897, Part 1," Returns made in Piculs, which have been converted into lbs. avoirdupois—1 picul = 133⅓ lbs.*)

Destination.	BLACK.												GREEN.					—				GRAND TOTAL.
	Congou.	Oolong.	Souchong.	Pouchong.	Flowery Pekoe.	Orange Pekoe.	Scented Caper.	Mixed.	Preverh.	Leaf.	Stalk.	Total Black.	Young Hyson.	Hyson.	Imperial.	Green Powder.	Total Green.	Dust.	Brick Black.	Brick Green.	Tablet.	
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
Great Britain	17,568,133	58,800	942,666	18,400	35,200	298,533	933	3,466	—	—	—	18,926,133	1,973,866	1,571,333	49,600	1,560,666	5,155,466	150,266	8,365,466	—	—	32,597,333
Hong Kong	4,170,533	1,388,800	717,200	216,400	266,133	90,533	3,466	51,866	68,000	21,866	19,733	7,014,533	91,200	82,933	1,600	112,400	288,133	3,333	—	—	—	7,306,000
India	3,600	—	—	—	—	—	—	—	—	—	—	3,600	146,933	967,733	3,333	403,866	1,521,866	—	—	—	—	1,525,466
Singapore and Straits	9,466	267,866	9,333	168,400	—	266	—	266	—	—	—	455,600	—	61,200	—	—	61,200	—	—	—	—	516,800
Australia	4,165,200	533	666	—	—	262,000	13,733	1,466	—	—	—	4,443,600	—	—	—	—	—	—	—	—	—	4,443,600
New Zealand	28,000	—	—	—	—	—	—	—	—	—	—	28,000	—	—	—	—	—	—	—	—	—	28,000
South Africa, including Mauritius.	161,466	—	584,133	—	—	400	400	512,133	—	—	—	1,258,533	400	—	—	—	400	—	—	—	—	1,258,933
British America	486,666	33,600	—	—	—	12,266	—	133	—	—	—	532,666	125,333	124,533	4,666	691,600	946,133	—	—	—	—	1,478,800
U.S. of America	8,932,000	3,900,533	12,533	—	266	22,266	10,266	666	—	—	—	12,878,533	3,481,866	2,639,600	124,533	8,593,866	14,839,866	—	—	—	—	27,718,400
South America	11,066	—	—	—	—	—	—	—	—	—	—	11,066	—	—	—	—	—	—	—	—	—	11,066
Continent of Europe, Russia excepted.	2,201,333	1,466	2,260,266	2,133	79,200	8,666	—	2,933	—	—	—	4,556,000	268,533	221,866	1,600	122,266	614,266	16,933	2,133	—	—	5,189,333
Russia: Odessa, &c., by sea	19,618,666	—	4,666	—	9,333	2,800	—	—	—	40,133	—	19,675,600	737,600	1,495,866	13,066	579,066	2,825,600	—	—	—	—	22,501,200
Russia and Siberia, *viâ* Kiakheta.*	15,734,533	—	—	—	—	—	—	—	—	—	—	15,734,533	—	—	—	—	—	—	50,676,266	3,692,133	325,733	70,428,666
Russian Manchuria	3,314,000	23,066	—	—	—	—	—	—	—	—	—	3,337,066	1,066	—	—	—	1,066	—	8,514,600	3,188,800	494,133	15,536,000
Corea	4,533	—	—	—	—	—	—	—	—	—	—	4,533	—	—	—	—	—	—	—	—	—	4,533
Japan	34,800	58,266	—	—	—	—	—	—	—	—	—	93,066	33,600	128,000	933	67,466	230,000	—	—	—	—	323,066
Philippine Islands	—	61,466	4,000	2,266	—	—	—	—	—	—	—	67,733	—	—	—	—	—	—	—	—	—	67,733
Cochin China, Tonkin, and Annam.	2,933	479,466	533	—	—	—	—	—	52,533	—	1,533	536,800	—	4,400	9,333	—	13,733	—	—	—	—	550,533
Siam	—	278,800	—	10,533	—	—	—	—	—	—	400	289,733	—	2,266	—	—	2,266	—	—	—	—	292,000
Java	—	129,600	1,600	132,000	—	—	—	—	—	—	—	263,200	—	—	—	—	—	—	—	—	—	263,200
Turkey in Asia, Persia, Egypt, and Aden.	6,533	—	—	—	—	—	—	—	—	—	—	6,533	*17,866	30,133	—	4,800	52,800	—	—	—	—	59,333
Other places	—	46,266	133	—	—	—	—	—	—	—	—	46,400	—	—	—	—	—	—	—	—	—	46,400
TOTAL	76,453,466	6,723,533	4,537,733	550,133	390,133	697,733	28,800	572,933	120,533	62,000	21,466	90,163,466	6,878,266	7,329,866	208,666	12,136,000	26,552,800	170,533	67,558,800	6,880,933	819,866	192,146,400
Hong Kong from Kowloon by junk.	—	—	—	—	—	—	—	—	—	—	—	8,393,600	—	—	—	—	263,466	—	—	—	—	8,657,066
Macao from Lappa by junk	—	—	—	—	—	—	—	—	—	—	—	3,431,600	—	—	—	—	6,133	46,533	—	—	—	3,483,266
GRAND TOTAL												101,988,666	—	—	—	—	26,822,400	217,066	67,558,800	6,880,933	819,866	204,287,733†

* Besides the leaf and brick teas forwarded viâ Tientsin and Kiakhta to Siberia and Russia, considerable quantities are sent from Hankow and vicinity up the Han River to Fan-ch'êng, where overland carriage is resorted to. During the past 10 years the following quantities were thus forwarded to Siberia and Mongolia:—

Year.	Leaf.	Brick.	Stalk.	Dust.
	Lbs.	Lbs.	Lbs.	Lbs.
1888	30,981,200	1,743,200	—	—
1889	846,933	6,539,466	351,466	129,866
1890	7,243,733	—	316,266	29,066
1891	6,155,466	273,333	642,933	—
1892	2,218,000	2,309,866	131,033	98,933
1893	2,088,800	4,512,800	284,800	285,733
1894	9,888,933	49,200	308,533	3,600
1895	1,799,600	5,382,666	574,933	76,933
1896	10,439,600	745,333	510,533	32,000
1897	7,518,000	1,213,733	768,533	91,466

† For the Exports in 1893, see Note on page 184.

No. 57—*continued.*

The TOTAL EXPORT of CHINA TEA direct to FOREIGN COUNTRIES for the past Ten Years is shown in the following table:—

Year.	Black.	Green.	Dust.	Brick.	Tablet.	Total.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
1888	205,639,866	27,917,066	431,066	55,018,933	—	289,006,933
1889	180,873,866	25,643,466	1,385,333	41,357,066	1,051,066	250,310,800
1890	153,478,933	26,600,533	981,200	39,622,400	1,369,733	222,052,800
1891	160,485,466	27,568,000	470,800	43,848,133	965,466	233,337,866
1892	146,830,533	25,125,333	114,000	43,081,600	1,206,000	216,357,466
1893	158,694,133	31,498,266	169,733	50,981,466	1,433,866	242,777,466
1894	162,295,333	31,128,666	423,066	52,734,133	1,727,066	248,308,266
1895	149,860,260	32,560,266	42,666	64,185,600	2,108,533	248,757,333
1896	121,655,600	28,933,200	38,933	75,586,533	2,164,533	228,378,800
1897	101,988,666	26,822,400	217,066	74,439,733	819,866	204,287,733

NOTE.—The "Imperial Maritime Customs Trade Report" just issued for 1898 shows, approximately, an Export of Tea direct from China to foreign countries of 205 millions of pounds, against 204 millions in 1897.

The principal changes in destination comparing 1897 with 1898 are as follows:—

	Increase.	Decrease.
To Great Britain	—	6 million lbs.
Hong Kong	1 million lbs.	—
India	—	½ million lbs.
Australia	1 million lbs.	—
British America	½ ,,	—
U. S. of America	—	7 million lbs.
Continent of Europe, Russia excepted	⅓ million lbs.	—
Russia: Odessa, &c., by sea	6 ,,	—
Russia and Siberia, viâ Kiakhta	5 ,,	—
Russia, Manchuria	1 ,,	—
Cochin China, Tonkin, and Annam	½ ,,	—
By junk to Hong Kong	—	1 million lbs.
Totals	15½ millions	14½ millions.

No. 58.

TEA IMPORTS AND DELIVERIES FOR 13 YEARS, 1886 to 1898. (*Handed in by Mr. W. J. Thompson.*)

Compiled by the Tea Brokers Association, for London only.

(From January to December.)

IMPORTS.

From	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
China - -	140,610,749	116,373,813	105,544,889	89,763,541	73,304,770	65,525,773	55,424,889	56,029,656	44,382,330	42,875,810	36,776,947	28,762,437	29,939,749
Ceylon - -	6,874,900	11,324,960	20,324,706	31,202,754	40,011,184	59,708,920	63,612,906	68,891,954	72,892,574	78,738,814	89,992,970	93,447,034	94,319,882
India - -	76,585,032	85,218,384	92,387,026	96,692,886	101,557,623	110,312,331	111,924,903	113,539,209	115,323,648	119,806,191	125,412,214	134,885,583	138,874,490

DELIVERIES.

	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
China - -	142,484,878	119,195,099	112,730,480	90,478,554	86,592,550	74,235,379	60,063,403	56,307,872	44,996,927	45,368,459	39,675,408	35,147,557	31,398,543
Ceylon - -	6,244,740	9,941,610	18,552,560	30,166,256	37,652,770	53,486,510	66,318,116	66,686,320	74,180,486	78,637,232	85,451,026	95,172,540	93,488,012
Indian - -	68,419,878	83,112,414	87,210,342	98,955,558	102,845,480	101,194,440	111,246,870	109,557,429	117,425,718	115,098,294	124,651,885	127,356,894	139,089,130

W. J. THOMPSON.

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No. 58.—*cont.* TEA IMPORTS FOR 13 YEARS, 1886 TO 1898.

CHINA.

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
January - -	11,662,468	7,481,415	8,157,723	8,111,872	8,576,812	5,666,322	4,136,753	3,849,574	3,094,638	6,113,561	3,924,583	1,248,039	3,630,469
February - -	7,896,369	6,773,411	10,173,016	6,428,041	7,243,529	4,225,355	3,524,409	2,906,390	2,230,368	1,951,514	1,722,472	1,159,111	1,327,437
March - -	4,909,315	3,552,355	4,835,318	3,265,732	2,079,317	3,724,403	1,859,779	1,130,541	1,089,371	707,138	938,779	480,639	1,264,040
April - - -	1,451,575	4,050,848	1,069,692	289,583	600,539	1,278,239	23,845	534,672	116,185	80,625	440,380	75,320	202,016
May - -	451,315	2,792,774	1,152,239	397,399	201,186	176,849	225,008	219,920	298,294	165,420	112,016	409,825	183,724
June - - -	8,594,122	4,041,565	6,696,877	507,766	452,658	452,455	274,281	463,029	530,529	334,384	95,051	285,547	528,753
July - -	31,061,000	19,074,681	22,734,848	12,274,992	9,841,074	12,117,078	10,373,987	11,652,623	9,522,211	8,626,024	6,600,037	6,851,340	5,712,701
August - - -	20,789,368	17,875,066	15,011,927	13,233,866	12,973,001	10,830,789	14,377,629	11,286,590	6,585,800	7,903,199	8,310,483	5,551,208	4,988,240
September - -	19,305,971	10,644,560	8,650,669	11,087,069	5,979,268	9,334,986	5,904,683	8,522,588	5,526,029	4,981,024	3,899,602	2,122,489	3,569,125
October - - -	15,243,966	15,259,165	7,728,095	11,177,494	6,934,180	7,116,444	4,022,963	7,297,797	4,662,404	3,877,624	3,794,808	3,647,690	3,103,062
November - -	9,213,574	14,566,284	8,909,070	10,436,247	8,961,079	5,341,722	4,993,760	5,298,990	6,028,633	4,031,998	4,146,593	4,169,004	2,412,123
December - -	10,031,706	10,261,689	10,425,415	12,553,480	9,462,127	5,261,131	5,707,292	2,866,942	4,697,868	4,103,249	2,792,143	2,762,225	3,018,059
Total - Lbs.	140,610,749	116,373,813	105,544,889	89,763,541	73,304,770	65,525,773	55,424,389	56,029,656	44,382,330	42,875,810	36,776,947	28,762,437	29,939,749

CEYLON.

January - -	226,160	578,250	1,356,784	2,660,244	2,573,914	2,885,804	5,070,238	4,672,600	8,000,272	7,256,276	8,096,234	7,037,460	8,189,462
February - -	394,470	713,490	1,261,250	1,971,772	3,051,404	4,726,980	5,349,238	5,124,536	5,591,114	5,744,380	6,897,286	8,037,412	7,849,644
March - -	399,480	746,280	1,243,966	2,489,802	3,008,554	4,765,346	5,475,372	6,509,896	5,434,714	6,629,448	7,364,338	6,500,920	7,874,612
April - - -	705,180	679,000	1,106,462	3,257,796	3,403,832	5,941,264	6,005,394	5,610,596	5,866,508	5,849,572	6,674,008	8,860,124	8,290,210
May - - -	692,730	886,780	2,015,920	2,681,694	4,067,074	5,178,902	6,030,614	6,562,588	7,322,202	7,887,298	7,466,348	8,142,682	6,507,484
June - - -	623,560	1,230,240	2,139,242	3,649,132	3,693,204	6,480,184	6,107,122	7,083,392	6,580,746	8,822,542	10,158,358	10,709,464	9,776,978
July - -	880,820	1,650,270	2,040,094	2,883,564	5,142,768	5,728,946	5,736,178	7,100,956	9,144,250	7,948,218	10,344,880	10,380,636	9,424,972
August - -	813,870	1,178,610	2,412,362	1,716,628	3,508,780	6,419,994	7,563,834	6,486,564	7,008,940	8,375,476	6,899,668	8,854,174	9,301,936
September - -	681,400	781,570	1,452,408	2,673,498	3,244,902	4,713,190	4,128,412	4,411,904	4,506,838	5,242,122	6,314,700	6,866,558	6,640,096
October - -	427,160	815,110	1,691,792	1,953,520	2,371,260	4,596,598	3,482,408	4,665,144	4,072,386	5,685,336	5,370,392	5,520,072	6,950,790
November - -	499,750	872,330	1,588,964	2,519,050	3,056,966	3,915,472	3,929,446	5,495,776	4,844,490	4,498,626	7,019,558	5,601,246	6,609,646
December - -	530,320	1,193,030	2,015,462	2,746,054	2,888,626	4,756,240	4,734,650	5,168,002	4,520,114	4,799,520	7,387,200	6,936,886	6,904,002
Total - Lbs.	6,874,900	11,324,960	20,324,706	31,202,754	40,011,184	59,708,920	63,612,906	68,891,954	72,892,574	78,738,814	89,992,970	93,447,034	94,319,832

INDIA.

January - - -	10,619,664	9,998,154	11,273,718	12,282,363	13,367,724	13,258,320	13,634,409	13,698,123	14,742,351	12,512,334	12,414,491	14,095,048	15,390,635
February - -	4,889,664	6,911,226	7,263,772	8,669,115	8,912,076	10,098,585	8,294,502	8,810,007	7,415,229	7,297,944	7,687,360	10,302,366	9,672,378
March - - -	6,493,650	5,489,484	5,495,313	5,456,388	6,684,921	5,953,848	7,574,724	4,794,282	5,814,489	6,673,908	5,619,482	7,059,163	6,688,567
April - -	1,802,076	2,141,448	2,474,169	2,449,266	4,214,772	2,381,283	2,656,602	915,957	821,124	2,137,449	1,052,932	1,297,422	1,560,967
May - - -	125,010	1,014,054	199,866	416,967	453,984	263,049	415,860	435,690	369,252	262,605	235,977	493,949	426,578
June - -	617,682	1,041,396	1,397,829	825,246	457,587	1,561,734	1,644,927	1,151,400	1,612,269	1,827,783	2,077,521	2,092,857	1,350,696
July - - -	1,825,782	2,001,690	3,325,743	3,438,990	4,034,877	4,276,542	4,743,852	5,245,905	4,976,028	5,244,696	6,310,617	5,814,912	6,147,205
August - -	4,392,078	6,799,812	9,822,483	5,639,145	6,468,591	8,988,165	12,059,655	12,744,960	11,550,294	17,059,557	12,649,203	12,479,925	13,350,924
September - -	9,162,834	13,132,536	10,674,126	12,220,416	12,844,764	14,149,404	11,892,198	13,995,813	18,801,699	14,612,550	19,436,881	21,134,917	19,208,167
October - -	11,182,974	12,953,928	15,563,913	13,596,243	15,236,922	16,094,865	16,146,606	16,995,999	17,724,387	19,028,613	23,707,662	19,880,092	22,072,278
November - -	11,360,028	10,636,998	11,437,035	16,322,379	14,526,522	18,870,030	15,508,656	15,598,074	17,688,036	15,842,949	15,693,705	19,173,738	22,792,453
December - -	14,113,590	13,097,658	13,459,059	15,376,368	14,354,883	14,416,506	17,352,912	19,152,999	13,808,490	17,305,803	18,526,883	21,061,194	20,213,642
Total - Lbs.	76,585,032	85,218,384	92,387,026	96,692,886	101,557,623	110,312,331	111,924,903	113,539,209	115,323,648	119,806,191	125,412,214	134,885,583	138,874,490

W. J. THOMPSON.

No. 58.—*cont.* Tea Deliveries for 13 Years, 1886 to 1898.

China.

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
January - -	12,870,980	11,042,740	9,693,002	8,836,844	7,136,443	6,435,795	5,072,343	5,017,417	3,999,748	4,311,468	3,259,931	3,621,466	3,073,377
February - -	12,025,795	9,145,845	9,613,416	7,309,105	6,898,341	6,207,911	5,222,483	4,555,166	3,715,726	3,606,449	3,228,762	3,346,582	2,901,938
March - - -	11,632,428	10,148,510	9,155,756	7,934,091	6,519,764	5,806,656	5,332,879	5,218,971	3,483,019	3,988,093	3,281,065	3,030,438	2,683,415
April - -	9,941,443	9,679,242	9,354,391	7,565,386	4,681,753	6,907,056	5,001,034	4,625,345	3,766,355	3,806,566	3,209,776	2,446,396	2,664,442
May - - -	10,972,939	9,177,795	8,990,708	7,905,287	11,494,064	6,080,154	5,034,188	4,858,293	3,681,159	4,489,062	2,929,032	3,478,793	2,347,637
June - -	10,927,818	8,874,008	8,431,930	5,871,038	6,047,080	5,974,643	3,861,705	3,827,400	3,354,534	3,383,903	2,894,205	2,569,158	2,259,035
July - - -	13,342,699	10,182,623	10,910,491	7,335,418	7,811,703	6,426,827	4,502,944	4,163,679	3,620,437	3,475,434	3,084,692	2,664,311	2,538,383
August - -	11,981,772	10,976,288	10,201,523	5,929,379	7,311,749	7,105,553	5,386,868	5,011,042	4,263,646	3,929,471	3,399,588	3,036,547	2,922,952
September - -	12,172,661	10,180,700	9,114,904	7,281,957	9,365,565	6,198,281	5,324,583	5,505,433	3,896,180	3,345,142	3,265,224	2,675,402	2,507,551
October - - -	14,987,055	11,020,197	11,484,279	9,477,065	7,419,351	6,775,864	5,637,071	5,489,262	4,251,807	4,201,032	4,145,456	2,859,406	2,708,720
November - -	12,033,055	9,599,113	9,008,332	8,409,457	6,714,058	5,668,321	5,249,871	4,388,634	3,578,510	3,728,760	3,801,264	2,838,479	2,587,141
December - -	9,646,233	9,168,038	6,771,748	6,533,527	5,192,679	4,648,318	4,437,434	3,647,230	3,385,806	3,103,079	3,176,413	2,580,579	2,203,952
Total - Lbs.	142,484,878	119,195,099	112,730,480	90,478,554	86,592,550	74,235,379	60,063,403	56,307,872	44,996,927	45,368,459	39,675,408	35,147,557	31,398,543

Ceylon.

January - - -	285,460	535,280	1,029,318	1,945,932	2,215,670	3,565,962	4,729,196	4,756,486	5,765,576	5,419,134	6,442,100	7,375,306	7,501,176
February - -	235,390	494,520	1,060,546	1,915,114	2,126,498	2,884,300	4,760,178	4,103,652	5,333,284	4,849,776	5,844,062	6,975,894	6,871,704
March - - -	316,790	616,230	1,084,850	2,137,838	2,081,078	2,769,972	5,158,508	4,635,390	5,131,622	5,589,600	6,309,592	7,032,358	8,095,844
April - -	316,240	657,420	1,238,420	2,105,016	1,384,678	3,942,242	4,968,026	4,847,814	5,978,094	5,306,032	6,408,184	6,676,358	7,603,006
May - - -	429,380	779,130	1,305,960	2,893,198	5,019,890	4,578,406	5,997,492	5,934,986	6,459,654	8,191,908	6,749,652	8,919,756	8,038,390
June - -	569,710	780,570	1,594,208	2,667,890	3,613,768	5,480,572	5,487,576	6,506,140	6,695,574	6,933,554	7,333,190	7,868,446	7,599,712
July - - -	766,310	998,590	2,266,106	3,677,728	3,932,286	5,420,842	6,166,080	6,910,922	6,926,358	8,369,522	8,211,622	8,962,686	7,979,848
August - -	817,780	1,341,790	2,116,702	3,200,918	3,793,038	5,156,082	6,502,412	6,447,566	7,126,798	7,645,882	8,015,420	8,350,064	8,385,722
September - -	786,520	1,197,220	1,873,396	2,900,718	3,960,440	5,277,420	6,663,206	6,229,500	7,102,198	7,342,080	7,884,308	8,936,676	8,468,882
October - -	683,770	1,008,950	1,885,440	2,655,488	3,640,690	5,340,192	6,183,156	5,922,714	6,920,174	7,122,718	8,118,134	8,517,792	8,431,730
November - -	566,240	790,010	1,689,480	2,177,092	3,162,432	4,787,596	5,500,258	5,489,518	5,929,458	6,361,108	7,144,488	8,270,390	7,779,500
December - -	471,210	741,900	1,408,134	1,889,324	2,772,302	4,282,924	4,202,028	4,901,632	4,811,696	5,505,918	6,990,274	7,286,814	6,732,498
Total - Lbs.	6,244,740	9,941,610	18,552,560	30,166,256	37,652,770	53,486,510	66,318,116	66,686,320	74,180,486	78,687,232	85,451,026	95,172,540	93,488,012

Indian.

January - -	5,867,016	7,409,838	8,105,118	8,931,927	8,831,223	10,570,794	9,967,647	9,677,760	11,192,130	11,101,872	12,141,602	12,136,271	11,592,565
February - -	5,397,516	6,886,680	7,393,314	8,007,009	8,187,293	9,031,506	9,899,400	8,689,410	9,861,240	9,260,259	10,854,125	10,981,048	11,063,161
March - - -	5,807,910	7,151,364	7,432,224	8,143,899	7,141,953	7,223,670	10,042,986	8,727,468	9,656,607	9,002,760	10,380,373	11,194,511	11,717,357
April - - -	5,385,024	6,765,972	7,470,750	7,726,908	5,155,941	8,061,642	9,153,735	8,197,569	10,204,146	7,606,551	10,436,709	9,613,118	11,154,641
May - - -	5,468,616	6,717,306	7,036,278	8,786,385	14,492,028	6,783,828	9,590,598	9,301,881	10,405,863	11,028,024	9,831,097	11,232,391	11,671,025
June - - -	4,823,898	5,598,312	5,360,919	7,256,436	8,630,442	6,759,819	7,957,089	7,879,467	9,057,900	7,717,224	8,587,849	9,018,317	10,371,915
July - - -	5,039,568	5,661,804	5,923,545	7,378,119	7,291,524	7,144,722	7,648,098	7,576,902	7,732,635	8,128,797	8,236,610	9,490,723	9,967,116
August - - -	4,844,214	5,704,200	6,440,949	6,030,387	6,861,027	7,268,049	7,949,004	7,710,021	8,259,267	8,682,885	8,155,395	8,311,815	10,377,965
September - -	5,413,398	7,014,666	7,494,951	7,914,804	7,870,338	8,503,983	8,755,509	9,929,145	8,930,667	9,111,813	9,918,294	10,161,519	11,354,452
October - - -	6,619,704	8,294,094	8,926,065	10,334,121	9,822,003	10,520,448	10,096,803	10,852,332	11,471,646	11,373,375	11,985,619	11,532,526	13,184,637
November - -	7,158,468	8,602,236	8,622,891	9,699,849	9,606,153	10,041,987	10,590,678	11,123,640	11,932,704	12,146,466	12,539,333	12,325,078	13,855,883
December - -	6,594,546	7,305,942	7,003,338	8,745,714	8,955,555	9,283,992	9,595,323	9,891,834	9,320,913	9,938,268	11,584,879	11,359,577	12,778,113
Total - Lbs.	68,419,878	83,112,414	87,210,342	98,955,558	102,845,480	101,194,440	111,246,870	109,557,429	117,425,718	115,098,294	124,651,885	127,356,894	139,089,130

W. J. Thompson.

No. 58.—*cont.*

INDIAN and CEYLON TEA in MARKETS outside the UNITED KINGDOM.

The following figures show the progress of Indian and Ceylon tea trade with Australasia, six years (in millions of lbs.):—

Imported.	1892.	1893.	1894.	1895.	1896.	1897.
Indian	3¾	6¼	4¾	6¾	6	6¾
Ceylon	5¼	7	7⅓	9¼	11	13¼
	9	13¼	12¼	16	17	20

The following figures show the transference from China tea to Indian and Ceylon in Australasia, three years (in millions of lbs.):—

Imported.	1895.	1896.	1897.
China	12⅜	7½	6
Indian	6⅜	6	6¾
Ceylon	9¼	11	13¼
	28¾	24½	26

The following figures show the progress of Indian and Ceylon tea trade with North America, six years (in millions of lbs.):—

Imported.	1892.	1893.	1894.	1895.	1896.	1897.
Indian	1½	2	2½	4	5¼	5¾
Ceylon	1½	2	2¼	3¾	4¼	5¾
	3	4	4¾	7¾	9¼	11½

The following figures show the total quantities of Indian and Ceylon tea taken by external markets, outside the home consumption of United Kingdom, five years (in millions of lbs.):—

Imported.	1893.	1894.	1895.	1896.	1897.
Indian	14	14	16¾	19¼	22
Ceylon	13	14½	20	23½	29
	27	28½	36¾	42½	51

Estimate for 1898 - 59 or 60 million lbs.

The following figures show the progressive movement of Indian and Ceylon teas re-exported from the United Kingdom to foreign parts, during ten months of 1896, 1897, 1898 (in millions of lbs.):—

	1896.	1897.	1898.
Of Indian tea	3	4¼	6
Of Ceylon tea	6½	8½	10
Of China and Java	16¾	17½	14¼
	26¼	30¼	30¼

The following figures show the percentages of the different kinds of tea (A) used at home, and (B) shipped abroad from the United Kingdom during the past seven years:—

	1891.	1892.	1893.	1894.
Used at home:				
Indian	48·75	53·00	51·00	54·50
Ceylon	25·00	30·50	30·00	33·50
China and Java	26·25	16·50	19·00	12·00
	100·00	100·00	100·00	100·00
Shipped abroad:				
Indian	10·00	9·90	9·80	11·00
Ceylon	6·40	9·45	12·20	16·40
China and Java	83·60	80·65	78·000	72·60
	100·00	100·00	100·00	100·00

	1895.	1896.	1897.
Used at home:			
Indian	52·50	53·85	53·60
Ceylon	33·50	35·25	36·90
China and Java	14·00	10·90	9·50
	100·00	100·00	100·00
Shipped abroad:			
Indian	13·20	12·90	15·10
Ceylon	23·30	24·70	28·70
China and Java	63·50	62·40	56·29
	100·00	100·00	100·00

No. 59.

MR. SAUERBECK'S INDEX NUMBERS OF COMMODITIES AND SILVER.

(*Handed in by Mr. Cheetham. See Q.* 8755.)

Years.	Index No. of 45 Commodities.	Index No. of Silver.	Years.	Index No. of 45 Commodities.	Index No. of Silver.
1874	102	95·8	1885	72	79·9
1875	96	93·3	1886	69	74·3
1876	95	86·7	1887	68	73
1877	94	90·2	1888	70	70·4
1878	87	86·4	1889	72	70·2
1879	83	84·2	1890	72	78·4
1880	88	85·9	1891	72	74·1
1881	85	85	1892	68	65·4
1882	84	84·9	1893	68	58·6
1883	82	83·1		1603	1603·1
1884	76	83·3			

No. 60.

STATEMENT relating to EXPORTS from INDIA and the RATE of EXCHANGE.

[Handed in by Mr. David Cruickshank. See Q. 9527.]

A.—EXPORTS OF WHEAT.

Year.	Exchange. Rates for Bills 3 Months D/ Payment, May to August. From	Exchange. Rates for Bills 3 Months D/ Payment, May to August. To	Average Rate for Secretary of State's Bills for Financial Year.	Prices in Calcutta per B. md. May to August. From	Prices in Calcutta per B. md. May to August. To	Prices in England per 492 lbs. From	Prices in England per 492 lbs. To	Average Price for British grown Wheat for the Year.	Freight by Steamer, Calcutta to London, per ton, May to August. From	Freight by Steamer, Calcutta to London, per ton, May to August. To	Total Exports from India.
	s. d.	s. d.	s. d.	R. A. P.	R. A. P.	s.	s.	s. d.	£ s. d.	£ s. d.	Tons.
1873	1 10 3/8	1 10 3/4	1 10·35	3 1 0	3 2 0	—	—	58·8	2 7 6	3 0 0	14,865
1874	1 10	1 11 1/16	1 10·16	3 2 0	3 8 0	—	—	55 9	1 0 0	2 0 0	87,797
1875	1 10	1 10 7/16	1 9·64	2 8 0	2 11 0	—	—	45·2	2 2 6	3 0 0	53,453
1876	1 6 7/8	1 8 5/8	1 8·49	2 3 0	2 7 0	40	42	46·2	3 0 0	3 7 6	124,909
1877	1 9	1 9 3/8	1 8·81	3 0 0	3 6 0	48	62	56·9	2 17 6	3 0 0	279,166
1878	1 8 7/16	1 8 15/16	1 7·93	3 6 0	3 9 0	44	47	46·5	0 12 6	1 5 0	317,007
1879	1 7 5/8	1 8 7/8	1 7·89	3 6 0	3 7 0	41	46	43·10	1 2 6	1 7 6	52,235
1880	1 8 7/16	1 8 1/2	1 7·96	2 10 0	2 12 6	46	50	44·4	2 12 6	3 5 0	109,777
1881	1 7 11/16	1 8 1/16	1 7·88	2 8 0	2 12 0	40	49	45·4	2 12 6	3 2 6	372,218
1882	1 8 5/16	1 8 1/2	1 7·57	2 14 3	3 1 0	40	49	45·1	2 1 3	2 7 6	993,176
1883	1 7 23/32	1 7 29/32	1 7·53	2 12 9	2 13 0	35	42	41·7	1 17 6	2 2 6	707,220
1884	1 7 27/32	1 8 3/32	1 7·34	2 8 0	2 8 6	28	38	35·8	1 5 0	1 7 6	1,047,824
1885	1 7	1 7 1/16	1 6·32	2 0 0	2 10 0	31	33	32·10	1 2 6	1 17 6	791,587
1886	1 4 1/2	1 5 21/32	1 5·46	2 8 6	2 11 0	30	31	31·0	1 2 6	1 10 0	1,053,025
1887	1 4 15/16	1 5 1/4	1 4·92	2 12 0	2 15 0	30	33	32·6	1 1 3	1 8 9	1,113,166
1888	1 4 1/4	1 4 11/32	1 4·38	2 11 6 to	2 14 6	32	34	31·10	1 5 0	1 6 3	676,908
1889	1 4 9/32	1 4 7/16	1 4·56	3 0 0	3 2 0	31	32	29·9	1 5 0	1 6 3	880,504
1890	1 6 3/32	1 8 3/16	1 5·99	2 11 0	2 14 0	33	34	31·11	1 0 0	1 7 6	689,961
1891	1 5 1/8	1 5 29/32	1 4·83	3 2 0	3 3 0	36	38	37·0	1 7 6	2 1 3	716,024
1892	1 2 23/32	1 3 27/32	1 3·02	3 5 0	3 6 3	30	32	30·3	0 10 0	0 17 6	1,515,171
1893	1 2 29/32	1 3 7/8	1 2·55	2 15 6	3 3 6	27	29	26·4	0 17 6	1 0 0	748,672
1894	1 0 31/32	1 1 3/16	1 1·10	2 7 6	2 11 0	22	23	22·10	0 17 6	1 5 0	607,827
1895	1 1 5/16	1 1 15/16	1 1·64	2 14 6	3 2 0	23	25	23·1	0 17 6	1 0 0	344,389
1896	1 2 1/32	1 2 9/32	1 2·45	3 5 0	3 12 0	23	26	26·2	0 7 6	0 12 6	500,145
1897	1 2 25/32	1 3 1/32	1 3·40	4 4 0	4 9 0	27	32	30·2	say 10 0	0 15 0	95,528

B.—EXPORTS OF LINSEED.

Year.	Exchange. Rates for Bills 3 Months D/ Payment, May to August. From	Exchange. Rates for Bills 3 Months D/ Payment, May to August. To	Average Rate for Secretary of State's Bills for Financial Year.	Price in Calcutta per B. md. May to August. From	Price in Calcutta per B. md. May to August. To	Price in England per 410 lbs. From	Price in England per 410 lbs. To	Freight by Steamer, Calcutta to London, per ton, May to August. From	Freight by Steamer, Calcutta to London, per ton, May to August. To	Total Exports from India.
	s. d.	s. d.	s. d.	R. A. P.	R. A. P.	s.	s.	£ s. d.	£ s. d.	Tons.
1873	1 10 3/8	1 10 3/4	1 10·35	4 8 6	4 11 0	61	66	3 5 0	3 17 6	111,871
1874	1 10	1 11 1/16	1 10·16	4 9 6	4 14 6	60	62	2 7 6	2 17 6	141,015
1875	1 10	1 10 7/16	1 9·64	4 0 0	4 3 6	52	59	2 17 6	3 5 0	179,789
1876	1 6 7/8	1 8 5/8	1 8·49	3 9 6	4 0 0	48	55	3 0 0	3 5 0	188,288
1877	1 9	1 9 3/8	1 8·81	4 7 0	4 12 0	54	55	3 0 0	3 5 0	280,730
1878	1 8 7/16	1 8 15/16	1 7·93	4 8 6	4 15 0	52	53	1 7 6	1 10 0	359,945
1879	1 7 5/8	1 8 7/8	1 7·89	4 14 6	5 2 0	52	53	1 5 0	1 12 6	175,189
1880	1 8 7/16	1 8 1/2	1 7·96	4 7 0	4 9 0	53	54	2 15 0	3 7 6	155,252
1881	1 7 11/16	1 8 1/16	1 7·88	4 4 6	4 8 0	51	56	2 17 6	3 7 6	299,858
1882	1 8 5/16	1 8 1/2	1 7·57	3 11 6	3 14 6	43	58	2 5 0	2 12 6	257,355
1883	1 7 23/32	1 7 29/32	1 7·53	3 11 6	3 15 0	41	44	2 0 0	2 2 6	336,855
1884	1 7 27/32	1 8 3/32	1 7·34	4 0 0	4 4 0	43	44	1 8 9	1 12 6	227,128
1885	1 7	1 7 1/16	1 6·32	4 0 0	4 4 0	40	42	1 5 0	1 17 6	437,329
1886	1 4 1/2	1 5 21/32	1 5·46	4 5 0	4 13 0	39	43	1 2 6	1 12 6	475,506
1887	1 4 15/16	1 5 1/4	1 4·92	4 3 0	4 6 0	37	38	1 5 0	1 10 0	432,240
1888	1 4 1/4	1 4 11/32	1 4·38	4 1 0	4 5 0	35	37	1 6 3	1 13 9	421,135
1889	1 4 9/32	1 4 7/16	1 4·56	4 11 0	5 6 0	39	43	1 5 0	1 12 6	423,068
1890	1 6 3/32	1 8 3/16	1 5·99	4 7 6	4 13 0	41	43	1 3 9	1 7 6	357,344
1891	1 5 4/32	1 5 23/32	1 4·83	4 8 0	4 10 0	41	43	1 10 0	2 2 6	403,865
1892	1 2 23/32	1 3 27/32	1 3·02	5 3 6	5 6 0	38	40	0 11 3	1 0 0	543,329
1893	1 2 29/32	1 3 7/8	1 2·55	5 5 0	5 9 0	38	42	1 0 0	1 5 0	390,877
1894	1 0 31/32	1 1 3/16	1 1·10	5 9 0	5 13 6	36	38	1 3 9	1 7 6	512 258
1895	1 1 5/16	1 1 15/16	1 1·64	5 1 0	5 14 6	36	39	1 0 0	1 2 6	450,819
1896	1 2 1/32	1 2 9/32	1 2·45	4 5 0	4 12 0	29	33	0 7 6	0 15 0	281,428
1897	1 2 25/32	1 3 1/32	1 3·40	4 6 0	4 11 0	30	34	0 11 3	0 15 0	267,508

No. 61.

STATEMENT relating to PRICES in INDIA from 1892 to 1895.

(*Handed in by Mr. Romesh C. Dutt, C.I.E. See* Q. 10,668.)

PUNJAB.		
Wheat (page 19, "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.		
—	Average of 1892 and 1893.	Average of 1894 and 1895.
Southern Punjab, 2 districts	15·30	20·76
Central Punjab, 2 districts	14·81	23·09
South Eastern Punjab, 3 districts	15·58	19·01
Submontane Punjab, 6 districts	15·77	22·14
Northern Punjab, 2 districts	13·09	21·69
Western Punjab, 4 districts	14·24	22·61

N.W. PROVINCES AND OUDH.		
Wheat (page 17, "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.		
—	Average of 1892 and 1893.	Average of 1894 and 1895.
N.W. Provinces, Eastern, 5 districts	13 07	13·81
N.W. Provinces, Central, 6 districts	15·23	15·94
N.W. Provinces, Western, 5 districts	15·05	17·55
East Submontane, N.W.P., 3 districts	13·81	13·29
West Submontane, N.W.P., 9 districts	14·59	16·70
Southern Oudh, 5 districts	14·91	15·22
Northern Oudh, 5 districts	15·05	15·34

BENGAL.		
Rice (pages 3, 5, "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.		
—	Average of 1892 and 1893.	Average of 1894 and 1895.
East Bengal, 5 districts	11·38	13·92
Deltaic Bengal, 7 districts	11·54	13·98
Central Bengal, 7 districts	12·56	15·36
Northern Bengal, 2 districts	11·86	13·64
Orissa, 3 districts	14·08	18·31
Chota Nagpur, 4 districts	14·30	16·57
South Behar, 4 districts	13·51	15·65
North Behar, 5 districts	13·65	15·75

MADRAS.				
Quantities sold per Rupee, in Seers.				
—	Jawar (p. 37 "Prices and Wages," 1897.)		Ragi (p. 49 "Prices and Wages," 1897.)	
	Average of 1892 and 1893.	Average of 1894 and 1895.	Average of 1892 and 1893.	Average of 1894 and 1895.
South Central, 2 districts	16·60	20·32	18·26	23·25
Central, 4 districts	17·90	24·66	18·64	25·67
South, 1 district	14·52	19·07	16·50	21·39
East Coast, North, 1 district	16·70	19·26	19·94	25·08
East Coast, Central, 2 districts	16·32	20·57	19·59	25·96
East Coast, South, 3 districts	15·11	19·74	17·17	23·32

BOMBAY.				
Quantities sold per Rupee, in Seers.				
—	Bajra (p. 43 "Prices and Wages," 1897.)		Jawar (p. 35 "Prices and Wages," 1897.)	
	Average of 1892 and 1893.	Average of 1894 and 1895.	Average of 1892 and 1893.	Average of 1894 and 1895.
Konkan, 3 districts	12·55	14·27	13·87	14·78
Deccan, 6 districts	17·94	19·22	17·75	21·32
Khandesh, 3 districts	17·59	18·51	20·21	22·83
Gujrat, 7 districts	14·49	14·64	16·80	17·35

ASSAM.		
Rice (p. 3, "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.		
—	Average of 1892 and 1893.	Average of 1894 and 1895.
Surma Valley, 2 districts	11·10	13·21
Brahmaputra Valley, 4 districts	10·96	12·61

CENTRAL PROVINCES AND BERAR.		
Jawar, (p. 35 and 37 "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.		
—	Average of 1892 and 1893.	Average of 1894 and 1895.
Western, 7 districts	18·33	20·91
Central, 4 districts	18·05	17·60
Berrar, 6 districts	18·10	20·32

№ 62

Bank of Bengal Rate, and Imports of silver in crores.

(Diagram handed in by Mr Cheetham.)

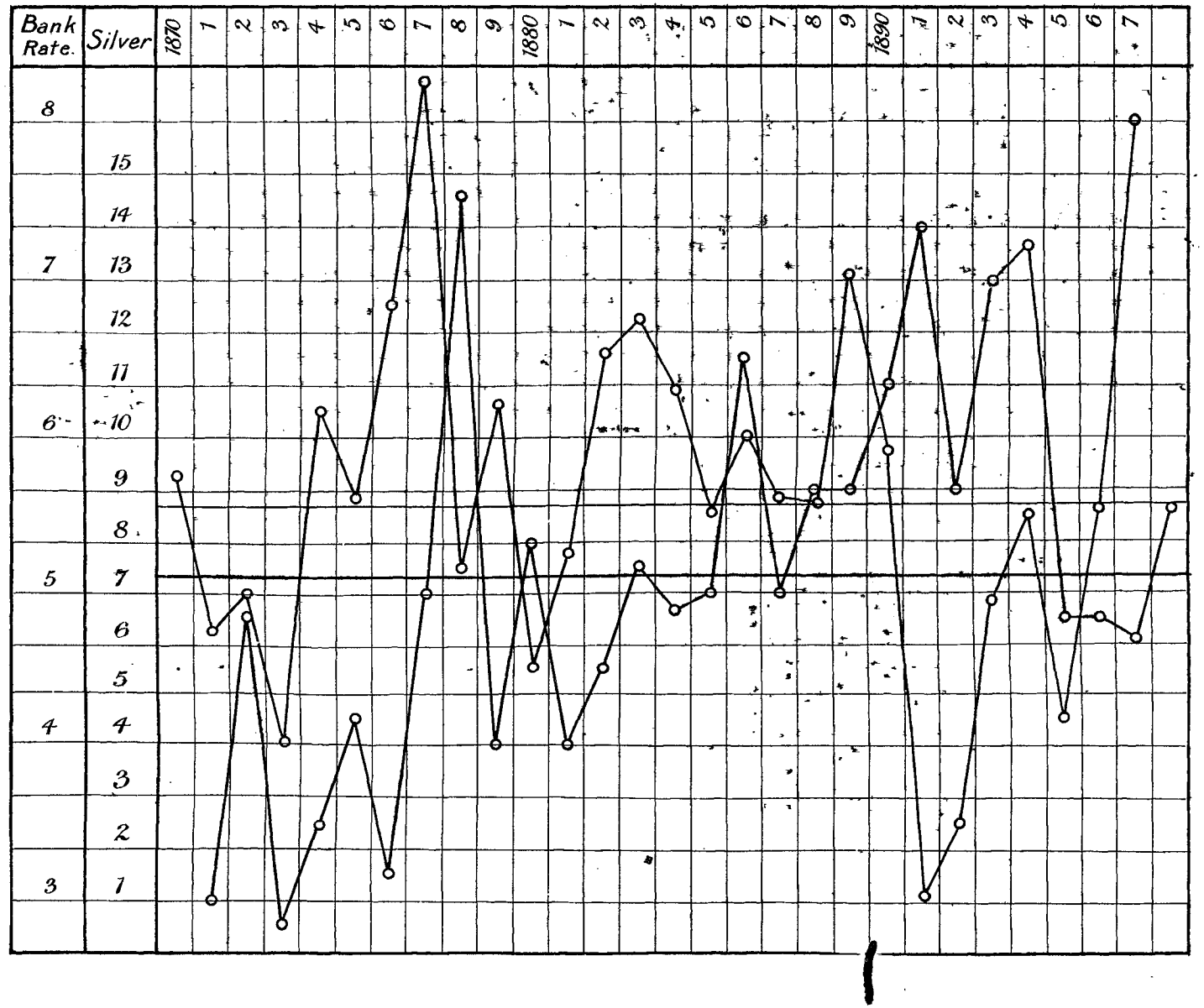
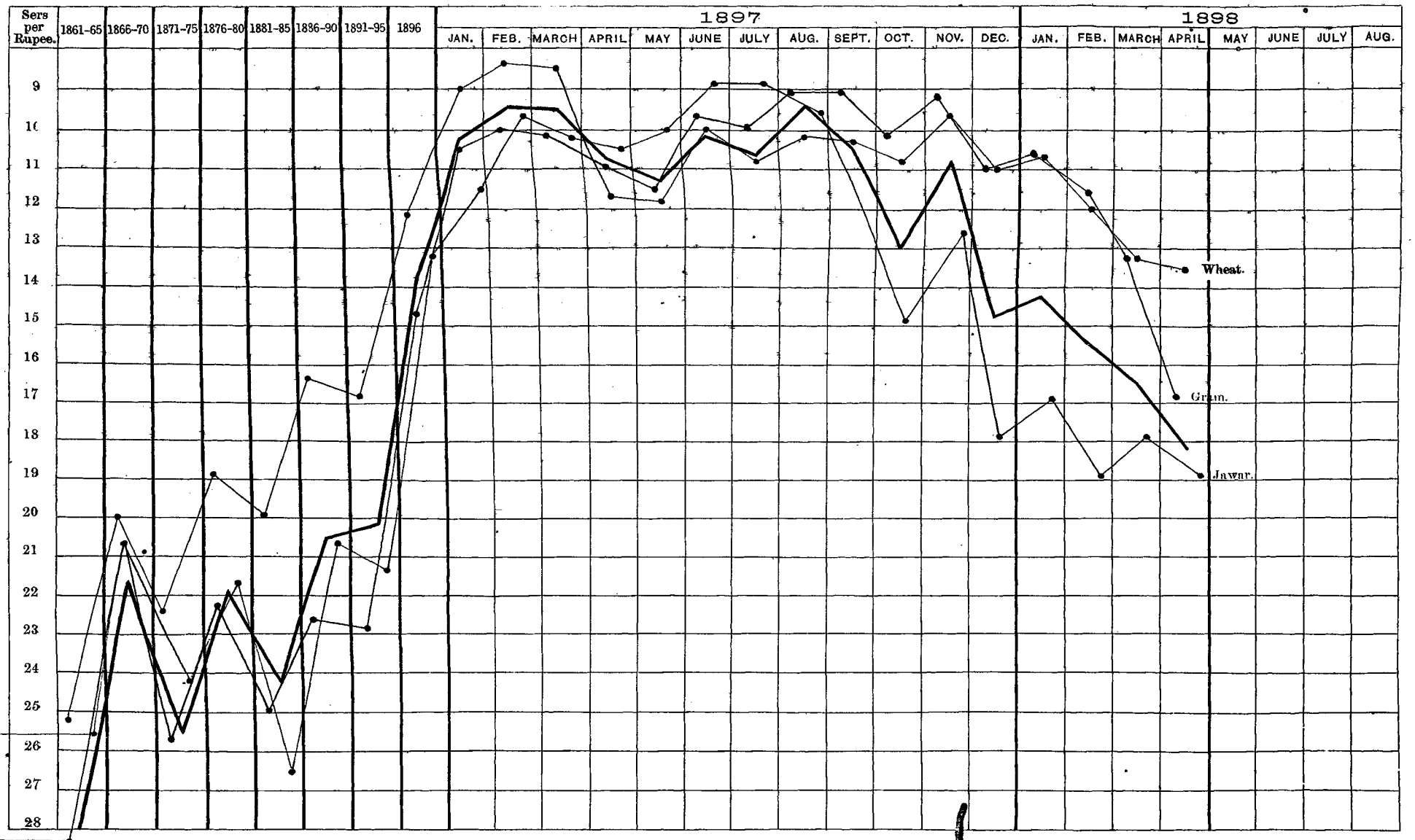


Diagram of Prices of certain Grains at Meerut, 1861—1898 (Q. No. 5,900).

Averaged Average Prices of Five Grains (Wheat, Jawar, Bajra, Barley, and Gram)
Average Price of (*i*) Wheat
„ „ (*ii*) Gram
„ „ (*iii*) Jawar



NOTE.—The Diagram is based (*i*) up to the end of 1896, upon the figures at page 165 of the 14th issue of "Prices and Wages in India," and (*ii*) from the beginning of 1897, upon figures taken from the Gazettes.

No. 63.

GENERAL COMMODITIES. INDEX NUMBERS.

I. SAUERBECKS GOLD index numbers

III. INDIAN 1871=100

IV. EXPORTS from } CALCUTTA from Indian Stat. Atlas pp. 41.42
V. IMPORTS into } prices of chief

broken line from present appendix

VI. GOLD PRICE OF SILVER

Indian general prices. III

Indian exports Calcutta prices IV

Indian Imports Calcutta prices V

English prices in Gold I

London price of Silver VI

London price of Silver 100

English prices in Gold 90

130 120 110 100 90 80 70 60 50 40 30 20 10

40 1 2 3 4 45 6 7 8 9 50 1 2 3 4 55 6 7 8 9 60 1 2 3 4 65 6 7 8 9 70 1 2 3 4 75 6 7 8 9 80 1 2 3 4 85 6 7 8 9 90 1 2 3 4 95 6 7 8 9 1900

I. Sauerbeck's index number for general prices in England.

II. The above divided out by the Gold price of Silver so as to represent the general level of English prices reduced to a Silver basis.

III. Mr. F. Atkinson's index number for general prices in India, compiled from the official "Prices and Wages in India." (Mr. O'Conor.)

IV. Mr. O'Conor's prices of the chief exports from Calcutta, Bombay, and Rangoon in Rupees.

V. Mr. O'Conor's prices of the chief imports into Calcutta, viz.: Cotton (three entries), Copper, Iron, in Rupees.

VI. The Gold price of Silver in London.

FOOD PRICES
RAINFALL
DISCOUNT B. OF BENGAL
EXCHANGE { Price of 5 Rupees in Pence

Food Prices

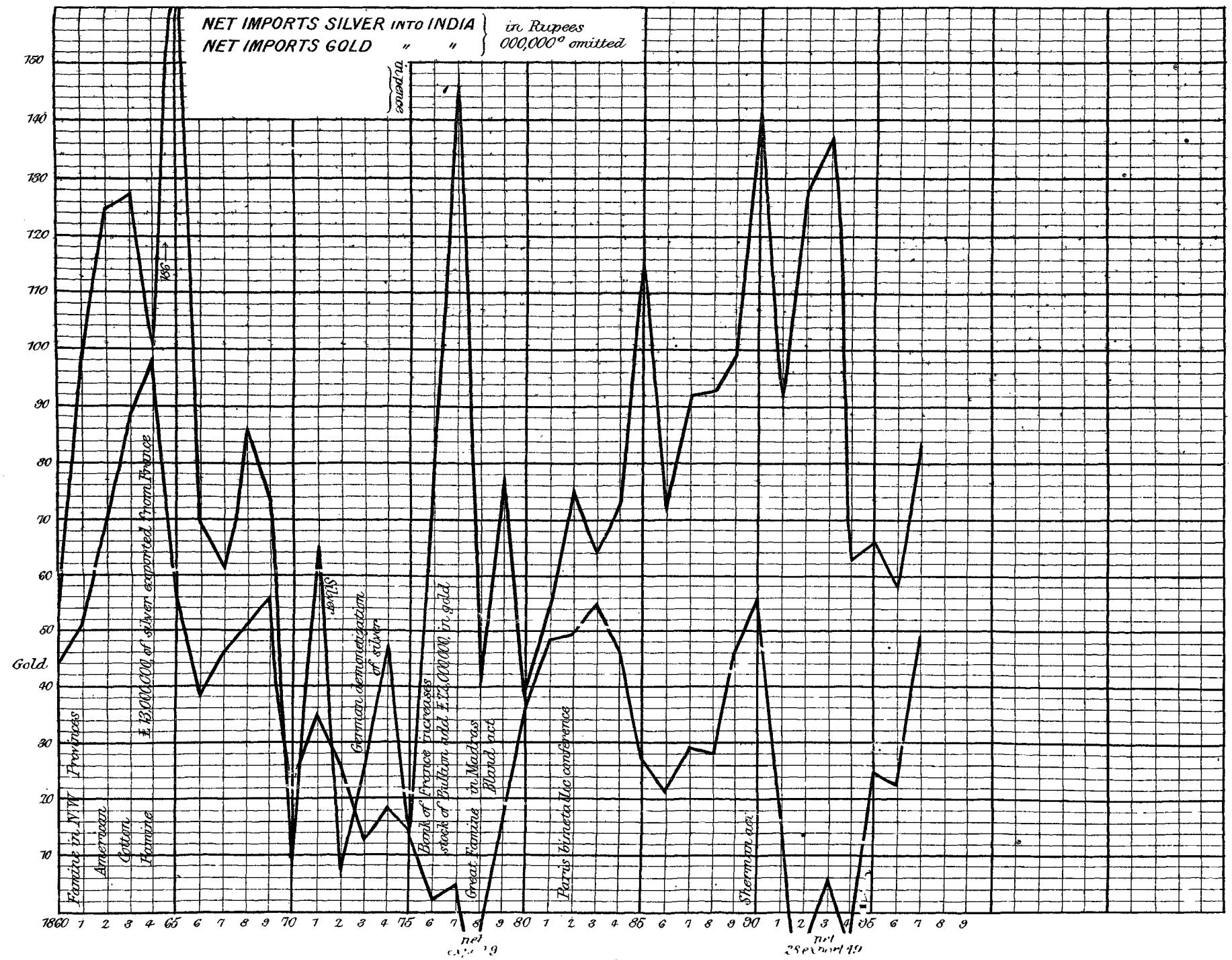
Rainfall

Exchange

Bank of Bengal discount

The Food prices are equated to 100 for 1871.
The Rainfall average for 1861 to 1895 is equated to 100.

These figures are taken from MR. F. ATKINSON'S *paper in the* "Statistical Journal for 1897," *based on official figures.*


NET IMPORTS SILVER INTO INDIA
NET IMPORTS GOLD " "
in Rupees
000,000° omitted
in pence
Gold
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
Famine in N.W. Provinces
American
Cotton
Famine
£13,000,000 of silver exported from France
Silver
German demonetization of silver
Bank of France increases stock of Bullion add £22,000,000 in gold
Great Famine in Madras
Bland act
Paris bimetallic conference
Sherman act
1860 1 2 3 4 65 6 7 8 9 70 1 2 3 4 75 6 7 8 9 80 1 2 3 4 85 6 7 8 9 90 1 2 3 4 95 6 7 8 9
net
net

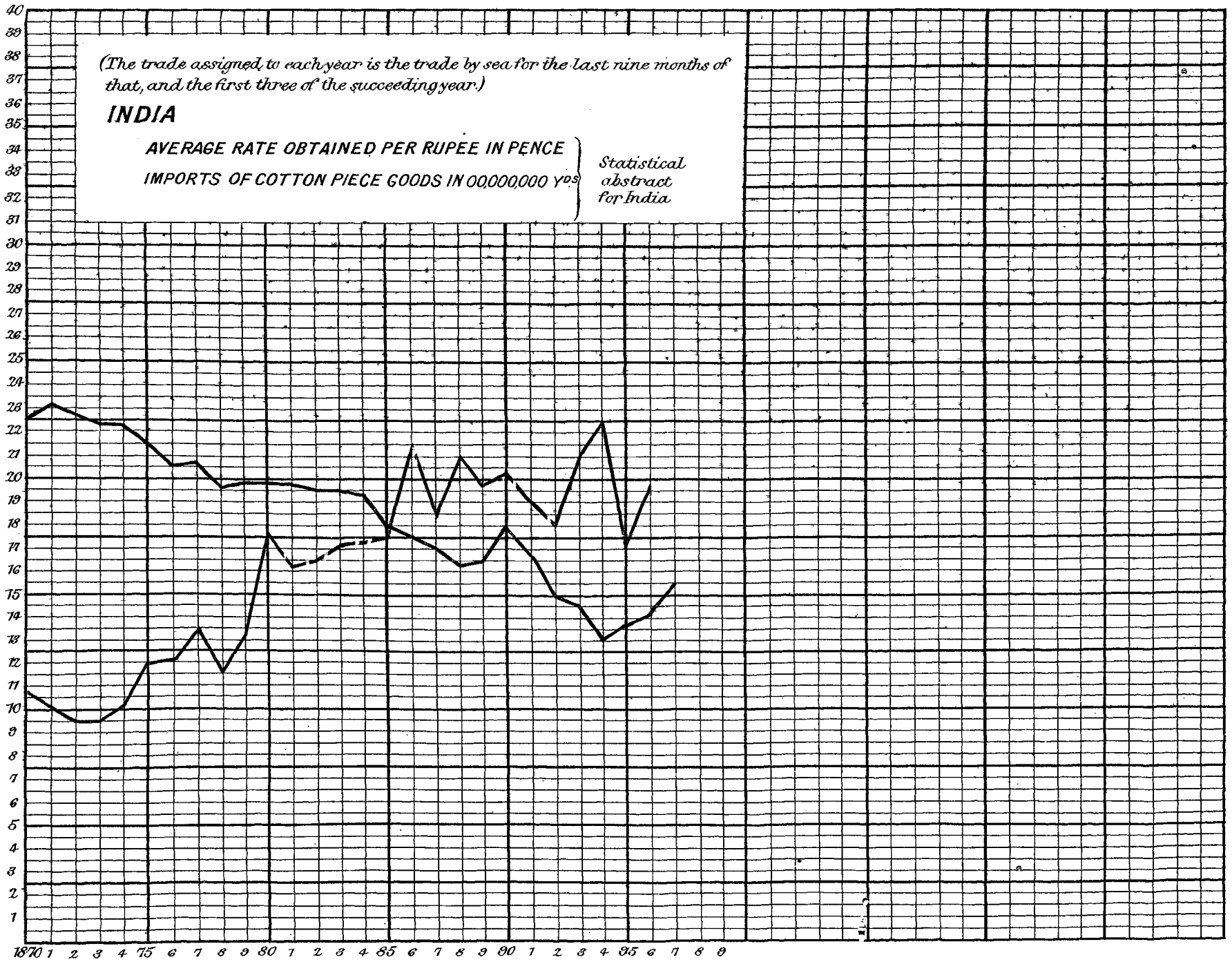
(The trade assigned to each year is the trade by sea for the last nine months of that, and the first three of the succeeding year.)

INDIA

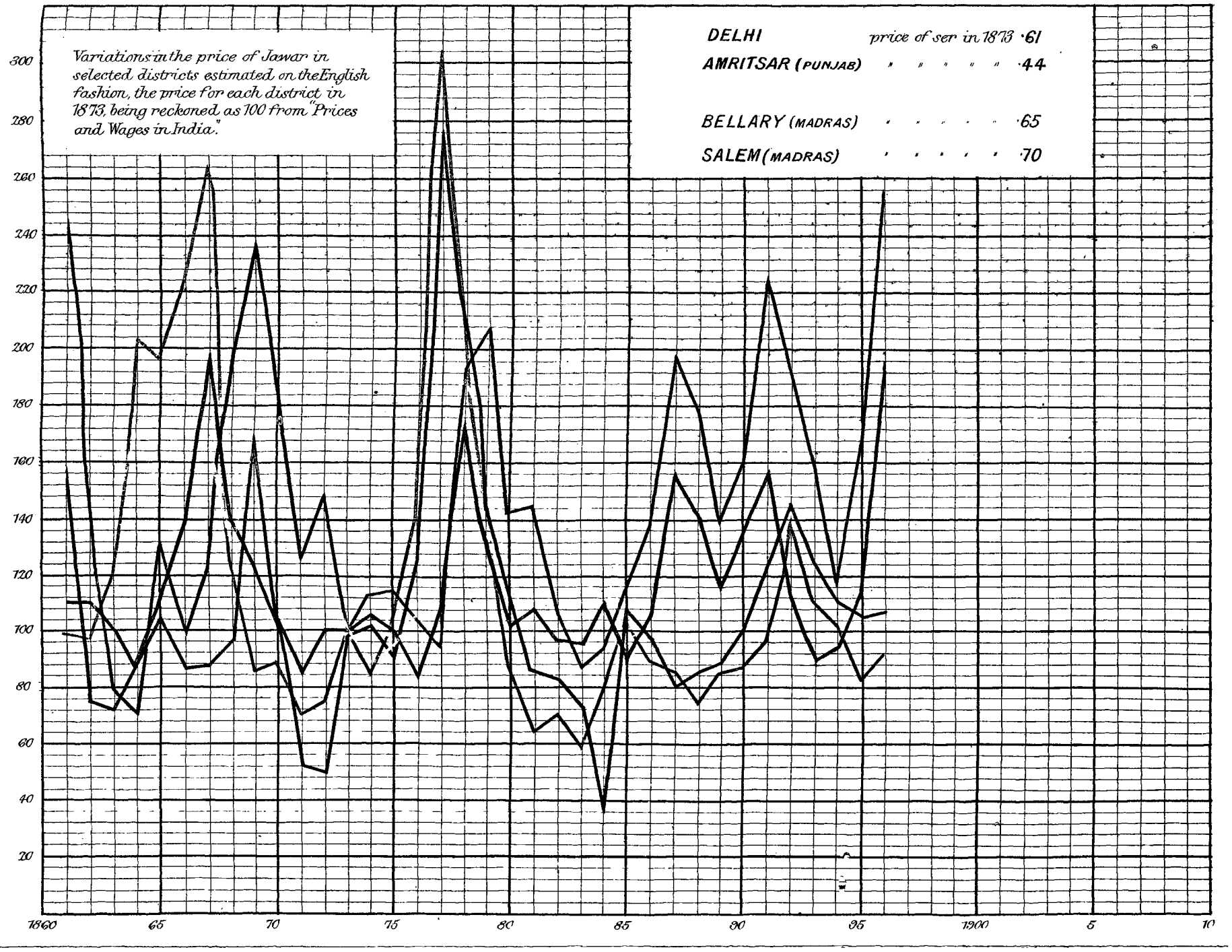
AVERAGE RATE OBTAINED PER RUPEE IN PENCE

IMPORTS OF COTTON PIECE GOODS IN 00,000,000 YDS

Statistical abstract for India



INDIAN PRICES JAWAR INLAND (EXCEPT BOMBAY)



Course of Wages & Prices in United States from 1860 to 1891

Currency Wages
Currency Prices
Purchasing Power of Wages

Taken from tables averaged according to importance.

THE CURVE REPRESENTING THE PURCHASING POWER OF WAGES IS OBTAINED BY DIVIDING AVERAGE WAGES BY AVERAGE PRICES.

Eyre & Spottiswoode Lith London

INDIAN CURRENCY COMMITTEE, 1898.

From
INDIA CORPORATION, L
19, VICTORIA STREET,
WESTMINSTER
LONDON,

REPORT

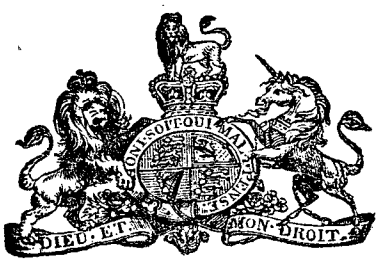
OF

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY.

Presented to both Houses of Parliament by Command of Her Majesty.



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REPORT OF THE INDIAN CURRENCY COMMITTEE, 1898.

To the Right Honourable Lord George Hamilton, M.P., Secretary of State for India.

India Office, 7th July, 1899.

1. In your letter of the 29th April 1898, your Lordship referred to us for consideration the proposals of the Government of India* for making effective the policy adopted by Her Majesty's Government in 1893 and initiated in June of that year by the closing of the Indian Mints to what is known as the free coinage of silver. That policy had for its declared object the establishment of a gold standard in India; and in inviting us to consider whether this object could best be attained by the specific measures proposed by the Goverment of India or otherwise, your Lordship indicated the scope of our inquiry in the following words† :—"It will be the duty of the Committee to deliberate "and report to me upon these proposals and upon any other matter which they may "regard as relevant thereto, including the monetary system now in force in India, "and the probable effect of any proposed changes upon the internal trade and taxation "of that country; and to submit any modifications of the proposals of the Indian "Government, or any suggestions of their own, which they may think advisable for "the establishment of a satisfactory system of currency in India, and for securing, as "far as is practicable, a stable exchange between that country and the United "Kingdom."

2. For the purposes of our inquiry we have held 43 meetings and examined 49 witnesses. The notes of evidence, together with statistical tables and other important information bearing on the subject of inquiry, have already been communicated to your Lordship‡; and we now proceed to report the conclusions which we have reached upon the questions referred to us.

From
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I.

The Monetary System of India.

3. In order to explain the monetary system now in force in India, it is desirable to record certain salient facts of the history of Indian currency.

4. At the beginning of the present century no uniform measure of value existed in British India. Some parts of India (*e.g.* Madras) maintained a gold standard and currency; elsewhere, as in Bengal, a silver standard obtained, with gold coins in concurrent circulation; throughout India the coins, whether of gold or silver, differed in denomination and differed in intrinsic value even within the same district. Out of this confusion arose the demand for an uniform coinage, a demand to which the Court of Directors of the East India Company gave their approbation in the important Despatch on Indian currency addressed by them to the Governments of Bengal and Madras on 25th April 1806§. It is important to observe that the Directors, while "fully satisfied of the propriety of the silver rupee being the principal measure of value and the money of account," by no means desired to drive gold out of circulation. "It is not by any means our wish," they said, "to introduce a silver currency to the "exclusion of the gold, where the latter is the general measure of value, any more "than to force a gold coin where silver is the general measure of value." Nevertheless the first fruits of the policy of 1806 were seen in the substitution in 1818 of the silver rupee for the gold pagoda as the standard coin of the Madras Presidency, where gold coins had hitherto been the principal currency and money of account. In 1835, when the present silver rupee was formally established as the standard coin of the whole

* C.—8840, "Correspondence respecting the proposals on currency made by the Government of India."
† C.—9037, p. iii. ‡ C.—9037; C.—9222; C.—9376. § H. of C. No. 127 of 1898.

of British India, it was enacted that "no gold coin shall henceforward be a legal tender of payment in any of the territories of the East India Company."

5. But, though gold had ceased to be a legal tender in India as between private individuals, the coining of gold mohurs (or "15 rupee pieces") was authorised by the Act of 1835, and a Proclamation of 13th January 1841 authorised officers in charge of public treasuries "freely to receive these coins at the rates, until further orders, "respectively denoted by the denomination of the pieces." As the gold mohur and the silver rupee were of identical weight and fineness, this Proclamation represented a ratio of 15 to 1 between gold and silver. In 1852* it was held by the Directors of the East India Company, on representations from the Government of India, that the effect of this Proclamation "has been, and is likely to be still more, embarrassing" to the Government of India. "The extensive discoveries of gold in Australia having had "the effect of diminishing its value relatively to silver, holders of gold coin have "naturally availed themselves of the opportunity of obtaining at the Government "treasuries a larger price in silver than they could obtain in the market." Consequently, on 25th December 1852 there was issued a Notification† withdrawing the above provision of 1841, and declaring that, on and after 1st January 1853, "no gold coin will be "received on account of payments due, or in any way to be made, to the Government "in any public treasury within the territories of the East India Company."

6. In 1864,‡ the Bombay Association (representing the native mercantile community of Bombay) and the Chambers of Commerce of Bengal, Bombay and Madras having memorialised the Government of India for a gold currency, the Government proposed "that sovereigns and half-sovereigns, according to the British and Australian standard, "coined at any properly authorised Royal Mint in England, Australia, or India, should "be made legal tender throughout the British dominions in India, at the rate of one "sovereign for 10 rupees; and that the Government currency notes should be exchange-"able either for rupees or for sovereigns at the rate of a sovereign for 10 rupees, "but that they should not be exchangeable for bullion." The Imperial Government, while unwilling to make the sovereign a legal tender, saw "no objection to reverting "to a state of matters which prevailed in India for many years, namely, that gold "coin should be received into the public treasuries at a rate to be fixed by Government, "and publicly announced by Proclamation." It was considered that this experimental measure "will, as far as it goes, facilitate the use of the sovereign and half-"sovereign in all parts of India; it will pave the way for the use of a gold coinage "in whatever shape it may ultimately be found advisable to introduce it; and at "the same time, it establishes a preference in favour of the sovereign." Accordingly, on 23rd November 1864, a Notification was issued that sovereigns and half-sovereigns should, until further notice, be received as equivalent to 10 rupees and 5 rupees respectively, in payment of sums due to Government. In the following March, the directors of the Bank of Bengal§ urged that, "in view of the continued influx of sovereigns," the time had come when British gold might, "with safety and advantage, be declared legal tender at the respective rates of ten and five rupees," and the Government of India again pressed their original proposal on the Imperial Government. The Secretary of State replied on 17th May 1865, that the time did not appear to have arrived for taking any further step, nor did he see that any practical advantage would attend the proposal to admit British gold to legal tender in India. On 28th October 1868, the Government of India raised the rate for the receipt of sovereigns and half-sovereigns at the public treasuries from Rs. 10 and Rs. 5 to Rs. $10\frac{1}{4}$ and Rs. $5\frac{1}{8}$, respectively.

7. In 1876,‖ after the rupee had temporarily fallen in exchange to $18\frac{1}{2}d.$, the Bengal Chamber of Commerce and the Calcutta Trades' Association urged the temporary suspension of the compulsory coinage of silver by the Indian mints. The Government of India decided that "up to the present there is no sufficient ground for interfering with the standard of value."

8. In 1878,¶ however, the Government of India expressed a different opinion, being "led to the general conclusion that it will be practicable, without present injury to the "community as a whole, or risk of future difficulties, to adopt a gold standard while

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* H. of C., No. 254 of 1860, p. 46. † H. of C., No. 152 of 1858. ‡ H. of C., No. 79 of 1865.
§ H. of C., No. 368 of 1865. ‖ H. of C. 449 of 1893. ¶ C.—4868 of 1886.

" retaining the present silver currency of India, and that we may thereby in the future " fully protect ourselves from the very real and serious dangers impending over us so " long as the present system is maintained." Aiming at the eventual adoption of the British standard, and the extension to India of the use of British gold coins, the Government proposed to proceed at the outset as follows: " We first take power to " receive British or British Indian gold coin in payment for any demands of the " Government, at rates to be fixed from time to time by the Government, till the " exchange " (about 1*s.* 7*d.* in 1878) " has settled itself sufficiently to enable us to fix " the rupee value in relation to the pound sterling permanently at 2*s.* Simultaneously " with this, the seignorage on the coinage of silver would be raised to such a rate as " would virtually make the cost of a rupee—to persons importing bullion—equal in " amount to the value given to the rupee in comparison with the gold coins above " spoken of. We should thus obtain a self-acting system under which silver would be " admitted for coinage at the fixed gold rate as the wants of the country required; " while a certain limited scope would be given for the introduction and use of gold " coin, so far as it was found convenient or profitable." The above proposals of 1878 were referred to a Departmental Committee, who, on 30th April 1879, briefly reported* that they were " unanimously of opinion that they cannot recommend them for the " sanction of Her Majesty's Government." A discussion of some of the reasons which appear to have influenced the Committee of 1879 in urging the rejection of the proposals referred to them will be found in the evidence given before us by Sir Robert Giffen, who was a member of that Committee. (*See* Questions 10,025–48.)

9. Between 1878 and 1892 the continued fall in the gold price of silver caused repeated embarrassment to the Government of India; but the main object of such attempts as were made by that Government to deal with the subject during the period in question was not to effect a change of standard in India, but to facilitate an international agreement which might cause a rise in the gold price of silver, and thus diminish the inconvenience resulting from the retention of a silver standard in India.

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10. In 1881 Indian delegates were sent to the Monetary Conference at Paris, with instructions that " while the Secretary of State in Council is unwilling to encourage an " expectation of any material change at present in the monetary policy of India, he would " be ready to consider any measures . . . calculated to promote the re-establishment " of the value of silver."† In 1886, shortly before the appointment of the Royal Commission on Gold and Silver, the Government of India expressed the opinion that " the " interests of British India imperatively demand that a determined effort should be " made to settle the silver question by international agreement;"‡ and in 1892 Indian representatives were sent to the International Monetary Conference at Brussels, which was convened for the consideration of measures for the increased use of silver as currency.

11. In 1892, inasmuch as it was foreseen that the International Conference might fail to secure the objects for which it was to be called together, the idea of changing the standard of value in India from silver to gold had been once more brought into prominence by the action of the representatives of the mercantile community of Calcutta. On 18th February 1892,§ when the International Conference was in prospect, the Bengal Chamber of Commerce represented that it was " impossible for " men of business to feel any confidence in the future value of the rupee, and they " believe that such a state of things restricts the investment of capital in this country " and seriously hampers legitimate enterprise." If success could not be secured by International Agreement, the Chamber saw nothing " but the prospect of endless " fluctuations in the relative values of silver and gold, attended with a fall in the value " of silver of indefinite amount; and the Committee [of the Chamber of Commerce] " think that in such case the Government of India should take steps to have the " question of the advisability of introducing a gold standard into India carefully and " seriously considered by competent authorities." In their Despatch of 23rd March 1892, the Government of India, while urging the Secretary of State to lend his " support to any proposals that might be made by the United States of America, " or by any other country, for the settlement of the silver question by international " agreement," called attention to the probability that, failing an international

* C.—4868 of 1886, p. 26. † H. of C., No. 449 of 1881.
‡ C.—4868 of 1886. *See also* First Report of Gold and Silver Commission, pp. 353–9.
§ C.—7060, II. of 1893, p. 145 *et seqq.*

agreement, the United States would be forced to stop the purchase and coinage of silver; and they requested the Imperial Government, in view of this contingency, to take forthwith into consideration whether any, and, if so, what measures could be adopted for the protection of Indian interests. On 21st June 1892, the Government of India proceeded to record their "deliberate opinion that, if it becomes evident that the "International Conference is unlikely to arrive at a satisfactory conclusion, and if a "direct agreement between India and the United States is found to be unattainable, "the Government of India should at once close its mints to the free coinage of silver "and make arrangements for the introduction of a gold standard." In a telegram of 22nd January 1893,* the Government of India further explained their proposals, as follows:—"Our proposal is that we shall take power to issue a notification declaring "that English gold coins shall be legal tender in India at a rate of not less than "$13\frac{1}{3}$ rupees for one sovereign [*i.e.*, 18*d.* per rupee]. . . . An interval of time, of "which the length cannot be determined beforehand, should, we think, elapse between "the mints being closed and any attempt being made to coin gold in India. The "power to admit sovereigns as legal tender might be of use as a measure *ad interim*, "but it need not be put into force except in case of necessity."

12. The proposals of the Government of India were referred on 21st October 1892 by the Earl of Kimberley, then Secretary of State for India, to a Committee consisting of the late Lord Herschell, Lords Farrer and Welby, Mr. Leonard Courtney, Sir Arthur Godley, Lieut.-General Sir Richard Strachey, and the late Mr. Bertram Currie; and on 31st May 1893 (the Brussels Conference having meanwhile adjourned without arriving at any agreement), the Committee reported as follows:—†

"While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may at any time be confronted if matters are left as they are, advise your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with their responsibility and deep interest in the success of the measures suggested, have submitted to you.

"But we consider that the following modifications of these proposals are advisable. The closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say 1*s.* 4*d.* per rupee; and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio.

"We do not feel ourselves able to indicate any special time or contingency when action should be taken. It has been seen that the difficulties to be dealt with have become continually greater; that a deficit has been already created, and an increase of that deficit is threatened; that there are at the present moment peculiar grounds for apprehension; and that the apprehended dangers may become real with little notice. It may also happen that, if action is delayed until these are realised, and if no step is taken by the Indian Government to anticipate them, the difficulty of acting with effect will be made greater by the delay. It is obvious that nothing should be done prematurely or without full deliberation; but, having in view these considerations, we think that it should be in the discretion of the Government of India, with the approval of the Secretary of State in Council, to take the requisite steps, if and when it appears to them and to him neccessary to do so."

13. The Committee's recommendations having been approved by the Imperial and Indian Governments, there was passed, on 26th June 1893.‡ the Act, No. VIII. of 1893, "to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, "1882." This Act provided for the closing of the Indian Mints to the "free coinage" of both gold and silver—Government retaining the power to coin silver rupees on its own account. By Notifications (Nos. 2662–4) of 26th June 1893, arrangements were made (i.) for the receipt of gold at the Indian Mints in exchange for rupees at a rate of 16*d.* per rupee, (ii.) for the receipt of sovereigns and half-sovereigns in payment of sums due to Government at the rate of Rs. 15 for a sovereign, and (iii.) for the issue of Currency Notes to the Comptroller-General in exchange either for British gold at the above rates or for gold bullion at a corresponding rate.

14. In 1897 the Secretary of State for India referred to the Government of India the question whether, if the Mints of France and the United States of

* C.—7060, II. of 1893, p. 183. † C.—7060 of 1893, p. 38. ‡ C.—7098 of 1893.

America were opened to the free coinage of silver as well as gold at a ratio of 15½ to 1, the Government of India would undertake to re-open concurrently the Indian Mints to the free coinage of silver and to repeal the above Notifications of 1893. In reply, the Government of India expressed their "unanimous and decided "opinion" that it would be "most unwise to re-open the Mints as part of the proposed "arrangements, especially at a time when we are to all appearance approaching the "attainment of stability in exchange by the operation of our own isolated and "independent action."* This conclusion was endorsed by the Secretary of State for India in Council and by the Imperial Government.

15. In January 1898, "in order to afford a means of relief to the severe stringency" then prevailing in the Indian money markets, an Act was passed (No. II. of 1898),† empowering the Government of India to direct, by Order notified in the Gazette of India, the issue of Currency Notes in India on the security of gold received in England by the Secretary of State at the rate and subject to the conditions to be fixed by such Order. Under this Act, which was to remain in force for six months, a Notification was published by the Government of India on the 21st January 1898, announcing that notes would be issued, in exchange for gold held by the Secretary of State for India, at the rate of one Government rupee for 7·53344 grains of fine gold, with the addition of such further quantity of fine gold as the Secretary of State should from time to time determine to be "sufficient to cover all costs and charges incidental to the "transmission of gold to India." Under this Notification, the Secretary of State in Council gave notice of his readiness "to sell, until further notice, telegraphic transfers "on Calcutta, Madras, and Bombay, at a rate not exceeding 1*s.* 4$\frac{5}{32}$*d.* for the rupee." This Act was extended for a further period of two years by the amending Act, No. VIII., of 1898. No gold has been tendered under the provisions of these Acts.

16. It will thus be observed that, at the present time, gold is not a legal tender in India, though the Government will receive it in the payment of public dues; that the rupee remains by law the only coin in which other than small payments can be made; that there is no legal relation between rupees and gold; but that the Indian Government has declared (until further notice) a rate at which rupees can be purchased for gold coin or bullion—such rate serving to determine the maximum limit to which the sterling exchange can rise under present arrangements.

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II.

A. Silver Standard.

17. Having thus set forth the origin and present position of the monetary system of India, we proceed to consider the question whether, in the light of the six years' experience gained since 1893, it is desirable to reverse the policy initiated in that year and to re-open the Indian mints to the unrestricted coinage of silver. Such a step has not been advocated in the Memorials which we have received from the Chambers of Commerce of Bengal, Bombay, Madras and Karachi.‡ Nor is there unanimity among those who do advocate so important a change of policy. Apart altogether from the fact disclosed by the evidence that some who were opposed to the closing in 1893, now advocate a gold standard, there is a clearly marked division between those who would re-open the mints to silver forthwith and those who, while contemplating such a course eventually, hesitate to re-open the mints immediately. The latter class may be further subdivided into those who propose to leave the time and conditions of such re-opening to be hereafter determined, and those who suggest immediate steps towards a gradual re-opening. With regard to the last suggestion, which aims at mitigating what its advocates have represented to us as the prospects of disaster to merchants and traders and of grave difficulty to the Government of India from the sudden drop in exchange to the bullion value of the rupee (about 10½*d.* at the present time), no scheme has been submitted to us which appears likely to attain the object in view. In our opinion, any measures for gradual reopening would be so fully and immediately discounted as to defeat the precise objects for which they are suggested. It is obvious, moreover, that the

* C.—8667. † *See* Appendix, p. 34. ‡ *See* Appendix, p. 17 *et seqq.*

certain prospect of a heavy fall in the exchange would at once drive capital from India.

18. As regards the policy which, while declaring in favour of open mints, would leave it to future undefined circumstances to indicate when the step should be taken, this (so far as it is not dictated by the desire for an international agreement, to which we refer presently) recognises that, for the present, the benefits anticipated from a return to a silver standard do not counterbalance the evils which would result from abandoning the *status quo*. The hope apparently is that, from a rise in the gold-price of silver, or from a fall in the sterling exchange of the rupee, or from a combination of these or other undefined circumstances, it may hereafter become possible to revert to a silver standard without causing a sudden and heavy fall in the exchange value of the rupee. Meantime it is proposed that the present arrangements should continue indefinitely, in spite of the disabilities considered to be thereby imposed on what are regarded as the true interests of India. This suggestion could, of course, only be entertained by the Government of India if it were definitely decided, in principle, to re-open the Indian mints to silver; and its adoption or rejection must depend on the answer to the broad question with which we are about to deal, vizt.:—Is it desirable for India to revert to silver monometallism?

19. The policy of reopening the mints at some future date to silver stands on a different footing when urged by those who look forward to an international agreement and consider that there is reasonable hope of such an agreement within a limited period. Such persons, unlike those above referred to, aim directly at a stable exchange between India and the United Kingdom, and advocate delay only in order that an international agreement may be reached. With regard to this anticipation, we confine ourselves here to stating that, the negotiations of 1897 with France and the United States of America having proved fruitless, no fresh proposals, so far as we are aware, have been, or are being, made by any of the Governments concerned.

20. The main proposal that the Indian mints should be re-opened forthwith to the unrestricted coinage of silver has been supported by witnesses on various considerations, one of which is that "a low rupee and a low exchange" encourage the export trade on which India's prosperity depends, and that an "arbitrarily enhanced" rupee discourages exports. It is urged that encouragement would best be given to exports by a reversion to the system of open mints, so that the rupee in exchange would again coincide with the gold price of silver, with the result that an end would be put to the unfair advantage which the present system is held to give to the silver-using competitors of India, and which (according to this view) the effective establishment of a gold standard would perpetuate. Great stress is laid by the advocates of open mints upon the burthen imposed on the export trade of India by stringency in the Indian money market, which they attribute to the closing of the mints, and represent as likely to increase under the present system of closed mints. It is admitted generally by the advocates of open mints that the benefits which would accrue to India from restoring the silver standard would probably lead to difficulties on the part of the Indian Government; but it is urged that these difficulties would be temporary only, and that they could be met either by borrowing or by increased taxation, including import and export duties.

21. Dealing first with the question of discount rates, it will be sufficient to remark that the anticipations of increasing stringency have not been verified during the recent busy season. Whereas the minimum rate of the Bank of Bengal was 10 per cent. on 6th January 1898, rising on 24th February to 12 per cent. (at which figure it stood until 27th April 1898), and did not fall below 10 per cent. until 16th June 1898, the rate for the busy season of 1898–99 has never exceeded 7 per cent., and this though the total volume of India's seaborne foreign trade exceeded Rx. 210,000,000 in 1898–99, as against (under) Rx. 199,000,000 in 1897–98.

22. While it may be questioned whether banking arrangements in India might not with advantage be strengthened and adjusted to the growing requirements of Indian trade, we cannot doubt that one of the main causes of the stringency of 1897–98 was the reversal (necessitated by the exceptional circumstances of India at the time) of the relations of the Government of India and the money market in the autumn of 1897. In ordinary years the Government is able, through the sale of Council Bills and Telegraphic Transfers, to place large sums at the disposal of the money market

throughout the autumn and winter. Thus, during the last four months of 1894, the bills and transfers sold by the Secretary of State amounted to Rx. 8,052,000; in 1895, for the same period of the year, the amount was Rx. 9,888,000; in 1896 the amount was Rx. 6,056,900. But in 1897, owing to the depletion of the balances of the Government of India, brought about by expenditure on famine relief and military operations and by failing revenue, the Secretary of State was unable, from 1st September to 15th November, to offer bills or transfers for sale, and was compelled to purchase drafts on India for Rx. 1,000,000. Thus, during the last four months of 1897, the amount placed at the disposal of the Indian money market in the Presidency towns in consequence of the remittance transactions of the Government was only Rx. 332,700, or Rx. 5,724,200 less than the year before.

23. It must not be forgotten that high discount rates were not unknown in India under the system of open mints; for example, the Bank rate reached 12 per cent. in April 1890 (in which year the rate did not fall below 10 per cent. from 10th February to 24th April), while in 1889 12 per cent. was quoted continuously from 21st February to 28th March, the rate not falling below 10 per cent. from 17th January to 11th April of that year.

24. We come next to the suggestion that the present system of closed mints handicaps India in her industrial competition with countries on a silver standard.

Of such countries China may be taken as the type, and it is said that the greater fall in (say) the London exchange with China as compared with the fall in the exchange with India stimulates exports from China which compete with exports from India, and also stimulates native production in China to the disadvantage of Indian imports into China; and that in this way India is placed at a disadvantage, and that the disadvantage to India is increased when an actual rise occurs in the Indian exchange.

It is explained that a fall in the price of silver is necessarily accompanied by a fall in the China exchange, that the producer in China consequently receives a higher silver price in respect of the same gold price, whilst wages and the other factors in the cost of production do not increase in the same proportion; that production in China becomes more profitable and is therefore stimulated; that, on the other hand, if the Indian exchange does not fall to an equal degree, the Indian producer does not receive this stimulus, and, if the Indian exchange rises, the producer in that country receives a lower rupee price, while wages and the other factors in the cost of production do not proportionately diminish; that the Indian producer does not receive the same profit as before, and that production is therefore checked.

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This aspect of the question was considered by Lord Herschell's Committee, and the conclusions at which they arrived will be found in paragraph 27 of their Report. They expressed the opinion that, even if we assume the argument as to a stimulus or check to production to be sound, the effect of each successive fall in exchange must be transitory, and could only continue until circumstances have brought about the inevitable adjustment. In this opinion we concur, and evidence has been laid before us which shows that prices and wages have risen in China since silver has fallen in price and the local copper currency has appreciated in terms of silver.

25. Lord Herschell's Committee examined the statistics of Indian exports for a series of years, and came to the conclusion that "although one may be inclined, "regarding the matter theoretically, to accept the proposition that the suggested "stimulus would be the result of a falling exchange, an examination of the statistics "of exported produce" [from India] "does not appear to afford any substantial foun- "dation for the view that in practice this stimulus, assuming it to have existed, has "had any prevailing effect on the course of trade; on the contrary, the progress of "the export trade has been less with a rapidly falling than with a steady exchange."

We need not quote the statistics of the export trade to which that Committee called attention, but we desire to state that we have been unable to find any statistical support for the theory that exports are largely and permanently stimulated by a depreciation of the standard of value, resulting in a fall in the exchange.

The statistics of the Indian export trade since the mints were closed to silver might have been expected to throw light on this portion of the question, but their value for this purpose is much diminished by the special disturbing influences to which that trade has been subjected during the last six years.

The closing of the Indian mints, the cessation of the purchases of silver by the United States of America, the consequent fall in the price of silver, and the apprehension to which it gave rise, undoubtedly disturbed the course of trade for a time, and when

recovery to more normal conditions might have been expected, India was affected by war, famine, and plague, and its finances were so seriously embarrassed that the drawings of the Secretary of State were largely reduced, and loans of unusual magnitude were raised in London on account of the Government of India. The exports from India were largely reduced in 1897–98. In the following year (1898–99) there was a marked recovery; the drawings by the Secretary of State were unusually large; and a substantial sum in gold was brought to the Indian Treasury.

26. For convenience of reference we give in this place the figures of gross exports from India in the 12 years from 1887–88 to 1898–99.

Year.	Exchange.	Silver, per oz.	Exports of Merchandise.	Year.	Exchange.	Silver, per oz.	Exports of Merchandise.
	d.	*d.*	Rx. (000 omitted).		*d.*	*d.*	Rx. (000 omitted).
1887–88 -	16·898	$44\frac{5}{8}$	90,471	1893–94 -	14·547	$35\frac{5}{16}$	106,448
1888–89 -	16·379	$42\frac{7}{8}$	96,978	1894–95 -	13·101	$28\frac{15}{16}$	108,815
1889–90 -	16·566	$42\frac{11}{16}$	103,397	1895–96 -	13·638	$29\frac{7}{8}$	114,263
1890–91 -	18·089	$47\frac{11}{16}$	100,136	1896–97* -	14·451	$30\frac{3}{4}$	103,914
1891–92 -	16·733	$45\frac{1}{16}$	108,036	1897–98* -	15·354	$27\frac{9}{16}$	97,537
1892–93 -	14·985	$39\frac{13}{16}$	106,536	1898–99 -	15·978	$26\frac{15}{16}$	112,723

* Famine years.

For the reasons we have stated in the preceding paragraph, we hesitate to draw any positive conclusion from these figures, but they afford no support to the theory that large exports are incompatible with a rise in the rate of exchange.

27. In this connexion we wish specially to notice the very important Tea Industry of India and Ceylon, which certain witnesses stated to be seriously threatened by competition with China tea produced in a country on a silver basis. We recognise the large capital invested in the tea estates, and that their maintenance is of vital importance to the many Europeans and natives employed therein. It was represented to us that the profits of the producers of Indian and Ceylon tea had been affected by the recent rise in the Indian exchange; that although this diminution of profit could not immediately affect the total export of tea from gardens already in existence, or the increase from gardens in process of formation and about to come into bearing, it would tend to diminish the extension of cultivation, and thus prevent the export of tea from increasing to the extent to which it would otherwise have done.

We do not doubt that the recent rise in the Indian exchange temporarily diminished the profits of the producers of tea, just as the previous fall had temporarily increased them; but, as we have already said, we see no reason to suppose that the strength of the competition of China tea will be permanently increased by the fact that China is on a silver basis. So far there is no evidence to show that the exports of China tea have appreciably increased, and there is evidence to show that the rise in Chinese wages and general prices has at least begun to take effect.

It appears to us that the permanent interests of the tea gardens of Ceylon and India will be promoted rather than injured when their operations are carried on under the same standard of value as exists in the countries to which their produce is exported.

We find that this question of the competition of China with Indian tea was specially considered by the Government of India in 1892, before the Indian mints were closed to silver, in connexion with a memorial on the subject from the Darjiling Planters' Association. The views of the Government of India on the subject are contained in a letter to the Honorary Secretary to the Association, dated 12th October 1892, and printed at pp. 176–77 of the Minutes of Evidence before Lord Herschell's Committee. The following extract from that letter contains a summary of the views which the Government of India expressed at that time:—

"To sum up, the Government of India are of opinion—

"(1.) That a country, as a whole, makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.

" (2.) That the producer of an article of export may make a temporary and unfair gain from depreciation of the standard, at the expense of his employés and of other persons to whom he makes fixed payments.

" (3.) But that this gain, while not permanent, is counterbalanced by a tendency to over-production and consequent reaction and depression, by a liability to sudden falls in price as well as to rises, and by the check to the general increase of international trade which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations."

We are unable to find that anything has occurred since the closing of the Indian mints to silver to throw doubt on the soundness of the views expressed in 1892 by the Government of India.

28. As regards the argument that a low exchange stimulates exports and discourages imports, it is further to be observed that whatever advantages attach to a low exchange should be increased, by parity of reasoning, by a still lower exchange; and it has accordingly been represented to us that it is a falling exchange which stimulates exports. But, as regards the ultimate limits of beneficial fall, we have failed to discover at what precise point, if at all, the advocates of this view would hold that the alleged advantages of a falling exchange cease.

29. To re-open the Indian Mints to silver without an international agreement would necessarily result, according to all past experience, in renewed instability of the exchanges between India and gold-standard countries. It is generally recognized that fluctuations of exchange constitute an obstacle to international trade, the true interests of which are to be sought in a stable monetary par of exchange. Since over four-fifths of India's seaborne foreign trade is with gold-standard countries, it follows that the balance of advantage is heavily in favour of stability of exchange with gold-standard countries; and accordingly, considered by itself, the instability of exchange which must be anticipated from re-opening the Indian Mints to silver, is a powerful argument against taking the step.

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30. So far we have considered the matter solely from the standpoint of trade; and the above remarks will have indicated our conclusion that, even apart from considerations primarily affecting the Government of India, it is not in the permanent interests of India that her foreign commerce, over 80 per cent. of which is with gold-standard countries, should be hampered by the restoration of silver monometallism. This conclusion is strengthened by considerations affecting the Government of India, which is the representative of the general interests of India. Apart from certain large payments in India (such as the pay of British soldiers serving in that country), the rupee total of which payments is regulated by the sterling exchange, the Secretary of State for India has now, under normal conditions, to meet obligations in England amounting annually to between 17 and 18 millions sterling. In order to make these payments, the Government of India raises taxation in rupees, and would therefore be seriously affected by the re-opening of the mints to silver. It is impossible to foretell what would be the actual effects of this step on exchange. But a drop even to 1*s.* (which is about 2*d.* above the present bullion value of the rupee) would, on a moderate estimate, increase the necessities of the Government of India by at least Rx. 10,000,000 gross, against which might be set some possible increase of revenue, leaving an increase of at least Rx. 7,000,000. This sum exceeds the total excise revenue of India by Rx. 1,500,000, exceeds the total stamp revenue by Rx. 2,160,000, and is nearly four times the total yield of the Indian income tax. An increase of expenditure to this extent would not only absorb the whole of the present surplus—which is the result of an increase in taxation imposed since 1886 principally to meet exchange difficulties—but would also necessitate further taxation. As regards an increase of taxation, Lord Northbrook has expressed the opinion (Q. 8,407) that, while it would be possible, " it would be in the highest degree " unwise, both in respect of the trade of India, the welfare of the people of India, " and I will go far as to say the security of the Indian Empire." Concurring as we do in this opinion, which has been supported by the independent testimony of other distinguished administrators of India, we must add that the Government of India

would not be justified in assuming that, with the mints re-opened to silver, the fall of the exchange to a shilling is the greatest fall which they might be called upon to face either immediately or at a future time.

31. It has been urged before us that, so long as the rupee is current at a value considerably above that of the silver which it contains, there is serious risk of counterfeit coins in silver of standard fineness being manufactured and put into circulation. This subject has engaged the attention of the Government of India; and in a despatch dated 12th January 1899 (more than five and a half years after the closing of the mints), they express the opinion that there is no evidence of such counterfeiting on any appreciable scale. We see no reason to doubt the correctness of that opinion; nor does the experience of other countries, in which silver coins circulate at an enhanced value, suggest any other conclusion.

32. In view of the considerations which we have stated, we concur with the Government of India in their decision "not to revert to the silver standard."

III.

The Principle of a Gold Standard.

33. At the present time, the practical alternative to silver monometallism is a gold standard, that is to say, gold as the measure of value in India, either with a gold currency or with a gold reserve.

34. We have already referred to the fact that over four-fifths of the foreign trade of India is with gold-standard countries, and that for this reason it is desirable that India should have the same measure of value as those countries. Regard being had to the supremacy of gold in international commerce, the change to a gold basis has been represented to us by Professor Marshall (Q. 11,815) as "like a movement towards "bringing the railway gauge on the side branches of the world's railways into unison "with the main lines." This consideration directly relates to facilitating interchange of commodities.

35. A further and certainly not a less important consideration for a country like India is that an established gold standard is the simplest and most effective means of attracting capital. The need of India for foreign capital is indisputable, and this need is partly of a temporary and partly of a permanent character. For climatic reasons, India is essentially a country of seasonal trade; she has a busy season and a dull season, though the tendency of late years has been to diminish the disparity and to exhibit approximation to a more uniform average within each year. From this seasonal character it follows that the demand for money is much greater for one part of the year than for the other. In the busy season there is a brisk demand for temporary advances to move the crops; in the dull season money is in little demand. The distinction is shown in an extreme form by the facts of the money market in 1897–8, when there was a seasonal variation in discount rates of no less than 7 per cent., and the fluctuations were even greater in 1889 and 1890. In order to diminish the risk to Indian commerce of a recurrence of such stringency, and in order to reduce the average rate charged for the local use of money, the sound policy is to attract capital to India from the gold-standard countries which have capital to lend, and this can best be achieved by a gold standard and a stable exchange. Moreover, it is in many ways as important that money should be able to flow out of a country without depreciation, when it is no longer in relative demand there, as that it should flow in when required. A gold standard is, in our opinion, the only means by which, under present conditions, these benefits can be secured.

36. The natural resources of India are beyond question, as also is the need for their development. In order to develope and reap the benefit of her resources, India requires, and must long continue to require, foreign capital. Such foreign capital can only be drawn from the gold-standard countries; and the capital of these countries can only be attracted by a moderate rate of interest or profit on condition that the investor is satisfied that there is not likely to be a fall in the

sterling exchange. We have had the valuable testimony of Mr. Alfred de Rothschild (Q. 11,853) that British capital would be at once forthcoming if the British investor knew that there was a fixed rate of exchange between the two countries. We attach great importance to this argument in favour of a gold standard for India.

37. It seems unnecessary to discuss the further considerations which point to the benefits to India of a gold standard. We desire, however, to remark that the effective establishment of such a standard in India would not preclude India hereafter from considering responsible proposals for an international agreement, if circumstances should arise to render such negotiations practicable.

38. Before discussing the various further measures which have been proposed for establishing a gold standard in India, we submit to your Lordship the following considerations relating to the existing currency arrangements. Inasmuch as, for practical purposes, the sterling exchange furnishes a broad test of a country's claim to be on a gold standard, and inasmuch as the Indian exchange since January 1898 has been stable (within what may be regarded as "specie points") at 16*d.* per rupee, it has been represented to us that the gold standard may be regarded as having been reached in India already. According to this view, the closing of the Indian mints to silver and the undertaking by the Government to give rupees for gold has already had the result of making gold practically a legal tender in India, present arrangements being sufficient to supplement automatically from time to time the stock of currency.

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39. Judged solely by existing facts, this contention cannot be disputed in its essentials. Events have proved more favourable than was anticipated by the Government of India when, in their despatch of 3rd March 1898, they represented that it was not very probable that gold would be presented in the early future. And, although they expressed the opinion that it was "in any case extremely unlikely to be "presented in such quantity as to lead automatically to an accumulation of gold "sufficient for a reserve," statistics indicate that a considerable accumulation has already been effected. On 31st March 1899, the reserve of the Paper Currency Department of the Government of India included gold to the amount of over 2,000,000*l.* sterling. At the present time the amount of gold is 2,378,609*l.*

40. While this substantial addition in gold was being made to the Indian currency, the Government of India was able, within the year to 31st March 1899, to remit by the sale of Council Bills a sum of 18,712,454*l.*, which is considerably more than the average sterling requirements of the Secretary of State, and was 2,712,454*l.* in excess of the original estimate of his sterling drawings. This has been accomplished without lowering the average price realised by the sale of Council Bills below 15·978*d.* (or as nearly as possible the limit fixed in 1893); and stringency has not recurred in the Indian money-market. Automatically, therefore, existing currency arrangements sufficed not only to maintain—without monetary stringency—a steady gold standard in 1898–9, but also to initiate a gold reserve in India, to serve as a bulwark for the maintenance of the gold standard in future years.

41. If it has been possible to secure these results in the past in the face of distrust, it may be argued that even greater success may be expected in the future with the growth of confidence. We are by no means prepared to suggest that this may not prove the case, or that the mere continuance of the *status quo* may not prove adequate by itself gradually to supplement the currency of India with a margin of gold sufficient to tide her over adverse years hereafter. But the same considerations which tell in favour of maintaining the *status quo* for the present, equally tell against its maintenance permanently. In practice it would be impossible for the Government of India to receive gold beyond a certain point into their Treasuries or their Paper Currency reserve, unless they were also empowered to pay that gold out again in cashing their notes or meeting other liabilities in India. But this would mean declaring gold a legal tender at a fixed rate, and thereby superseding the purely provisional machinery of the existing system. According to this argument, therefore, maintenance of the existing system comes to mean little more than postponing further action for a time. The interval would be long or short, according to the slow or rapid accumulation of gold; but in no case could the provisional arrangements now in force constitute—nor indeed, were they

ever intended to constitute—a permanent settlement of the problem. The practical question is, therefore, narrowed to this :—Should the *status quo* be allowed to continue until events force the Government to take action? There would have been more to be said in favour of suspending action and leaving facts to settle the problem, had it not been for the circumstances which led the Government of India to formulate proposals for curtailing the transition period and taking "active steps to secure the early establishment of a gold standard and a stable exchange." That opinion having been expressed by the Government of India, and public discussion having been aroused by the publication of their proposals and by the present inquiry, it appears to us undesirable, even though results have proved more immediately successful than the Government of India anticipated on 3rd March 1898, to leave matters as they are. If, in face of the public attention which the question has attracted, and in face of the considerable divergence of the views expressed on the subject, no further steps were now to be taken, an additional uncertainty would be caused; doubts would be excited as to the ultimate success of the gold standard; rumours would arise of a possible change of currency policy; the Government both in India and at home would be pressed for a final pronouncement, alike by the friends and by the foes of a gold standard; and meantime the material interests of India would suffer from the withdrawal of confidence in her monetary future.

For these reasons we conclude that steps should be taken to avoid all possibility of doubt as to the determination not to revert to a silver standard, but to proceed with measures for the effective establishment of a gold standard.

IV.

The Indian Government's Proposals.

42. Having thus expressed our agreement in the objects which the Government of India have in view, we pass to the consideration of the specific measures proposed by them with a view to making effective the monetary policy adopted by Her Majesty's Government in 1893 and initiated by the closing of the Indian Mints to the unrestricted coinage of silver.

43. The proposals of the Indian Government were contained in their despatch of 3rd March 1898, and have been explained to us by official witnesses. They may be summarised as follows :—

In order to keep the exchange value of the rupee at a steady level of 16*d.*, it was deemed necessary to decrease the rupee circulation so as to remove the relative redundancy. The amount to be so withdrawn could not be foretold with exactness, but it was more than probable that it would fall short of Rx. 24,000,000. Within this outside limit it was proposed "to melt down existing rupees, having first provided a reserve of gold, "both for the practical purpose of taking the place of the silver, and in order to "establish confidence in the issue of our measures." The first step was to take powers to borrow sums not exceeding in the whole 20,000,000*l.*, and at once to remit 5,000,000*l.* in sovereigns to India as a first instalment. If exchange remained at or above 16*d.*, there would be no further step [Q. 2653]. But if, and so long as, the exchange fell below 16*d.* [Q. 2657–8], the Government of India would take rupees from its balances, melt them down, sell the bullion for other rupees in India (at an assumed loss of 40 per cent.), pay these other rupees into its balances, and finally make good thereto the 40 per cent. balance of loss with part of the borrowed gold. It was anticipated [Q. 2663] that one borrowing (5,000,000*l.*) might be sufficient, that sum approximately covering the assumed loss to Government of Rx. 8,000,000 on melting down Rx. 20,000,000. As a result, it was anticipated that by the automatic operations of trade, gold would flow into the country and remain in the circulation. But until the exchange value of the rupee was established at 16*d.*, and sovereigns became, to some extent however small, a permanent part of the circulation, it was not the Government's intention to part with any of the gold in their possession. Meantime, gold was not to be made a legal tender in India, though the Government looked forward to this as a future goal.

44. The proposals of the Government of India were based on the belief that the rise in the value of the rupee, and in the exchange with London, subsequent to the year 1894–5, was due to a contraction of the Indian currency relative to the demands of trade, that this cause would continue to operate so long as the Indian Mints were closed to silver, and that, if only that stage of distrust could be passed, "which

" appears the moment exchange approximates to sixteen pence to bring into operation " influences which interfere with the actual realisation of that rate," the exchange, under normal conditions of trade, might be expected " to attain the level at which gold " would be tendered under the notification of 26th June 1893, and the introduction of " the gold standard would become practicable."

They were anxious " both in the interests of the State and of the mercantile community to terminate the period of transition without further delay,"—in the interests of the State, because it would be cheaper in the end to acquire a reserve of gold by borrowing, and thus keep the exchange value of the rupee at a steady level of sixteen pence than to bear for years the burden of expenditure entailed by the lower level of the rupee; in the interests of the commercial community, because it was not desirable that their legitimate business should be hampered and embarrassed by the uncertainty of exchange, while the want of confidence in the stability of the rupee discouraged the investment of capital in India, and available capital was remitted to England whenever the exchange value of the rupee rose to a high level.

The proposals of the Government of India were made in March 1898, and since that date there has been a marked improvement in the position. The exchange has been steady at or about 1*s.* 4*d.*, the drawings of the Secretary of State have been unusually large, and a substantial sum of over 2,370,000*l.* in gold has been brought to the Indian Treasury; in other words, what the Government of India described as the " stage of distrust," which interfered with the actual realisation of a rate of sixteen pence, has been already passed.

If the Government of India could have foreseen the course of events in the past year, it is possible that their recommendations might not have taken the precise form in which they were put forward; and we are informed that, even if their proposals had been sanctioned at once, they would not under the conditions that have since prevailed have given effect to that portion of their scheme which provided for the withdrawal of rupees from the Indian currency. However that may be, we think it desirable that the proposals of the Government of India should, even under the altered conditions of the present day, be carefully considered by us.

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45. In the first place we desire to point out that it has not been proved that the rise in the value of the rupee since 1894–5 is due solely to relative contraction of the Indian currency; and it may be that it is not due mainly to this cause. It is not certain that there has been any contraction of the Indian currency which has materially affected the exchange, though it may not unreasonably be inferred that there must have been some contraction, and that such contraction has had some influence on the exchange value of the rupee. On the other hand, there are causes other than contraction of the currency which affect the value of the rupee and the exchange with London. Large borrowing in London on account of India, reduction of the drawings of the Secretary of State, an increase in the exports from India unaccompanied by an equivalent increase in imports, as well as a general rise in gold prices, would all affect the rate of exchange with India, though it is quite impossible to estimate the relative importance of these factors among themselves, or the amount of their influence on exchange as compared with the effect of a contraction of the currency, or to state the precise degree of influence which any, or all of them, have had on any particular alteration in the exchange. Nor, on the other hand, is it certain that the unusually low rate of exchange that prevailed in 1894–5 was due solely to a relative redundancy of the Indian currency. The closing of the Indian Mints necessarily brought into play many disturbing influences which may have affected 1894–5.

Since the mints were closed there has also been large borrowing on Indian account, and there have been, in some years, large reductions below the normal amount in the public remittances from India, while fluctuations have been experienced in the foreign trade of India, due to famine and plague as well as to other causes. All these causes must at different times have affected the exchange either favourably or unfavourably.

Another influence which must have had a favourable effect on the Indian Exchange is the reduction in the imports of silver due to the closing of the mints. The average yearly net import in the three years preceding the closing of the mints was 43,133,678 ozs., of the value of Rx. 12,020,296; and, for the three years ending 1898-9, the average net import was 31,126,376 oz., of the value of Rx. 6,103,431.

46. In face of the facts we have just stated, we are unable to accept, without qualification, the opinion that the rise in the value of the rupee since 1894–5 has been due, wholly or mainly, to a relative contraction of the Indian currency. We are

not prepared to say that the contraction of the Indian currency has not been an important factor in the rise in the Indian exchange; but, so long as the facts of the case are surrounded by so much obscurity, we consider that it would be unsafe to base action of so drastic a character on this assumption.

If it be the case that the rise in the value of the rupee since 1894–5 is not due, wholly or mainly, to the relative contraction of the Indian currency, it follows that an additional contraction of that currency, produced artificially by the withdrawal of rupees in the way proposed by the Government of India, might not have so much effect in strengthening exchange as the Government of India believed; and, though we accept in principle the proposition that a reduction in the number of rupees tends to increase the value of the rupee, we are not prepared to admit that such effect must necessarily be direct and immediate; nor are we satisfied that such reduction, carried out on a large scale and within a limited period, might not aggravate, if it did not produce, a period of stringency in the Indian money market.

47. So far as the proposals of the Government of India were intended to secure the confidence of the commercial community, they have failed in their effect; these proposals have not been supported before us by the representatives of the commercial and financial interests connected with India, nor, indeed, by any of the independent witnesses whom we have examined. The commercial classes of India appear to have feared that the withdrawal of rupees from the currency would inevitably aggravate or produce stringency in the Indian money market, and that the sale of silver by the Indian Government would lower the price of that metal, and disturb the exchanges with China and other countries on a silver basis.

The argument of the Government of India that the adoption of their proposals would involve less loss to the Indian Exchequer than the maintenance of the *status quo*, does not appear to us to possess much force. If the principle on which they based their proposals was sound, namely, that the rise in exchange was due to the contraction of the Indian currency, and that the same cause would continue to act in the same direction so long as the Indian mints were closed to silver, there was no likelihood of any serious fall in exchange, and, consequently, no prospect of any considerable increase of expenditure on this account. If, on the other hand, the basis of their proposals was unsound, it was not certain that they would have produced the desired effect, and, while a considerable expenditure would have been incurred in borrowing in gold and withdrawing rupees from the currency, the operation might not have resulted in any material reduction in the charge for exchange.

Although we sympathise with the Government of India in their desire to shorten the period of transition, to inspire confidence in the commercial community, and to remove an impediment to the flow of British capital to India, and recognise the force of the pressure upon them in the beginning of 1898 to take immediate steps in a direction which, it was hoped, would lead to the desired result, we can only say that, for the reasons already stated, we do not approve of their proposals, and cannot recommend their adoption.

V.

A Gold Currency.

48. It is of greater practical importance at the present time to consider what steps the Government of India contemplated taking when, by their methods, that state of things had been established which is in actual operation to-day. They did not definitely propose to make gold coins a legal tender; but they did not hesitate to express the opinion that "the only state of things which can be called a thoroughly satisfactory "attainment of a gold standard is one in which the gold coins which represent our "standard are those also which are good for payments in England." As a matter of principle, therefore, the Government of India favoured a gold standard *with* a gold currency.

49. This brings us to the consideration of schemes which have been proposed for establishing a gold standard *without* a gold currency. Great stress has been laid upon the hoarding habits of the natives of India; and, in view of the direct encouragement which a gold currency might give to the hoarding of gold, it has been represented to us by Mr. Lesley Probyn that, "if gold coins were passed into the currency, it would be at first almost like pouring water into a sieve." He accordingly proposed (i.) to institute a separate issue of gold notes of the denomination of Rs. 10,000; (ii.) to issue such notes only in exchange for gold; (iii.) to

make them payable (at the option of the holder) either in rupees or in gold: (iv.) to make it optional to the Currency Department, when gold is demanded, to pay either in sovereigns or in gold bars of not less than 67*l*. It was hoped that gold would be attracted to India, and that a gold reserve would be gradually accumulated which would be strong enough to allow the Government to undertake ultimately the universal convertibility into gold of all rupees and rupee-notes, when presented in parcels of not less than Rs. 10,000. Under this scheme the gold standard would be left to automatic agencies to establish, and its establishment would coincide with an ultimate undertaking to exchange rupee currency for gold bars of high value.

50. On this scheme we remark that, while bullion may be regarded as the international medium of exchange, there is no precedent for its permanent adoption for purposes of internal currency; nor does it accord with either European or Indian usage that the standard metal should not pass from hand to hand in the convenient form of current coin. No real support for such a scheme is to be drawn from the purely temporary provisions of "Peel's Act" of 1819, whereby, for a limited period, the Bank of England, as a first step to the resumption of cash payments, was authorised to cash, in stamped gold bars, its notes, when presented in parcels of over 200*l*. Little or no demand for gold bullion appear to have been made on the Bank under these temporary provisions, which were repealed at the instance of the Bank itself in 1821.

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As regards the hoarding difficulty in India, we are not satisfied that the danger therefrom is so great as has been suggested. There is little or no likelihood, even according to the most sanguine view, that for a long time to come gold coins, even if declared a legal tender forthwith, would find their way to any great extent into general circulation. Even under silver monometallism India imported and absorbed gold, as she is doing to-day, and as she may be expected to do in the future, no matter what her system of currency. In a strongly conservative country like India no sudden changes are to be expected in the habits and customs of the people, particularly in matters relating to currency and hoarding; but, while we must look to the continuance of the habit of hoarding, we may also feel satisfied that, until gold has penetrated into general circulation (so far as the relatively small transactions of India permit), there will be no materially increased temptation to the natives of India to hoard gold instead of silver. Moreover, the introduction of a gold currency into India would not be an untried experiment. As has been shown above, gold coins were in common circulation in India generally within living memory, and were expressly stated in 1806 to form the principal currency and money of account of Madras. If hoarding did not render a gold circulation an impossibility in the past, we look for no such result in the future.

51. Consequently, we are of opinion that the habit of hoarding does not present such practical difficulties as to justify a permanent refusal to allow India to possess the normal accompaniment of a gold standard, namely, a gold currency.

52. Another plan for establishing a gold standard in India without a gold currency, was submitted and explained with great ability by Mr. A. M. Lindsay. In order to fix the sterling exchange, he proposed to make the rupee currency freely convertible in India at a fixed rate into drafts on a sterling fund located in London. At the same time rupee drafts were to be sold at a fixed rate in London. Assuming a par of 16*d*., sterling in London was to be convertible into rupees in India at $16\frac{1}{16}d$., and rupees in India were to be convertible into sterling in London at $15\frac{3}{4}d$.; drafts were to be sold both in India and in London to any extent; but the amount in each case was to be not less than Rs. 15,000 and 1,000*l*., respectively. In order to provide for meeting the sterling drafts, a loan not exceeding 10,000,000*l*. was to be raised in London, while, so far as the available stock of rupees proved insufficient, silver would be purchased (also out of the loan) and sent to India to be there coined into rupees. If an excess of rupees accumulated as the result of selling sterling drafts, it might be necessary to sell the excess as bullion and credit the proceeds to the sterling fund. Under the scheme, rupees would continue to form the circulating medium of India, gold not being admitted to legal tender. While Mr. Lindsay held that such a system of currency would answer all purposes and be economical, and might, therefore, be permanently adopted, he considered [Q. 4303-4] that his scheme would be the best means of leading up to a gold currency, if this were ultimately thought desirable.

53. It is evident that the arguments which tell against the permanent adoption of Mr. Probyn's bullion scheme and in favour of a gold currency for India, tell more strongly against Mr. Lindsay's ingenious scheme for what has been termed "an exchange standard." We have been impressed by the evidence of Lord Rothschild, Sir John Lubbock, Sir Samuel Montagu, and others, that any system without a visible gold currency would be looked upon with distrust. In face of this expression of opinion, it is difficult to avoid the conclusion that the adoption of Mr. Lindsay's scheme would check that flow of capital to India upon which her economic future so greatly depends. Moreover, if the system were to be permanent, it would base India's gold standard for all time on a few millions of gold (or rather command over gold) in London, with a liability to pay out gold in London, in exchange for rupees received in India, to an indefinite extent. This was the main reason which weighed with the Government of India in deciding not to adopt the scheme, and we think they were justified in their conclusion. We are not prepared to recommend Mr. Lindsay's scheme, or the analogous schemes proposed by the late Mr. Raphael and by Major Darwin, for adoption as a permanent arrangement; and existing circumstances do not suggest the necessity for adopting any of these schemes as a provisional measure for fixing the sterling exchange.

54. We are in favour of making the British sovereign a legal tender and a current coin in India. We also consider that, at the same time, the Indian Mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian Branches of the Royal Mint. The result would be that, under identical conditions, the sovereign would be coined and would circulate both at home and in India. Looking forward as we do to the effective establishment in India of a gold standard and currency based on the principles of the free inflow and outflow of gold, we recommend these measures for adoption.

VI.

Convertibility.

55. Under an effective gold standard rupees would be token coins, subsidiary to the sovereign. But existing conditions in India do not warrant the imposition of a limit on the amount for which they should constitute a legal tender; indeed, for some time to come, no such limitation can be contemplated.

56. It is true that in the United Kingdom the silver currency has a fixed limit of 40*s*., beyond which it cannot be used to pay a debt. But this has not always been the case. Prior to 1774 the English Mint was open to silver, and silver coins were an unlimited tender. In 1774 the tender of silver by tale was restricted to 25*l*. in any one payment, although it was left an unlimited tender by weight. In 1798 the free coinage of silver was stopped altogether, the English Mint being thereby closed to silver. In 1816, when gold monometallism was formally established by law, silver coins were placed on a purely subsidiary footing, with a 40*s*. limit of tender. At the present time the right to coin silver is confined to the Government, who are responsible for seeing that there is no over-issue; and in the exercise of that responsibility no additional silver is coined at the Royal Mint for the United Kingdom except in response to the automatic demands of trade, as testified by requisitions received through the Banks of England, of Scotland, or of Ireland. Seeing that for every 20*s*. of additional silver coin requisitioned the Banks have to credit the Royal Mint with a sovereign, there is certainly no temptation to them to demand an over-issue, the immediate profit on which would go not to themselves but to Her Majesty's Government. While it cannot be denied that the 40*s*. limitation tends to emphasise and maintain the subsidiary character of our silver coinage, yet the essential factor in maintaining those tokens at their representative nominal value is not the statutory limit on the amount for which they are a legal tender in any one payment, but the limitation of their total issue. Provided the latter restriction is adequate, there is no essential reason why there need be any limit on the amount for which tokens are a tender by law. It is principally to restriction of the total issue of silver coinage in the United Kingdom that we attribute the fact that 20 silver shillings (intrinsically worth at present about 8*s*. 6*d*.) pass current and are freely received, for all purposes of internal currency,

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indifferently with the sovereign which they purport to represent. By law there is no convertibility of our silver coins into gold. They possess an extra-legal convertibility evinced by their being generally and popularly exchangeable into gold, and this quality they owe essentially to the fact that they are not issued by the Government in excess of the volume required for the purpose which they discharge.

57. Outside the United Kingdom there are two principal instances of countries with a gold standard and currency, which admit silver coins to unlimited tender. These countries are France and the United States of America. In France the five-franc piece is an unlimited tender and for all internal purposes is equivalent to gold. The same remark applies in the United States to the silver dollar. At the present time there is no addition to the coinage either of five-franc pieces or of United States silver dollars. In the case of the five-franc piece there was free coinage up to 1874, in January 1874 the coinage was limited, and in November 1878 it was suspended altogether. With the repeal in 1893 of the purchasing clauses of the Sherman Act, the same result was reached with regard to the United States silver dollar. Both in France and in the United States the mints are now closed to the coinage of silver coins of unlimited tender. In neither country are such coins convertible by law into gold; in both countries alike they are equivalent to gold for all internal purposes. For international payments, so far as specie is concerned, France and the United States depend ultimately on the international medium of exchange, which is gold. In the last resort, it is their gold which, acting through the foreign exchanges, maintains the whole mass of their currency at its nominal value for internal purposes.

58. We do not doubt that it is, in theory, possible to attain the same result in India as in France and the United States of America by limitation of the quantity of the rupee currency. The special difficulty in the case of India is one of degree and not of principle. We are unwilling to commit ourselves to the acceptance of the estimates which have been made of the number of rupees actually circulating in India. There can be no doubt but that it is very large; and there are also large quantities of rupees in existence which, though not actually circulating, might, under certain conditions, be brought into circulation. On this account, doubts have been entertained in the past whether the mere closing of the Indian mints to silver would, in practice, be attended with such a restriction of the rupee currency as would make the rupee permanently exchangeable for gold at a fixed rate.

The experience which has been gained since the closing of the Indian mints supports the belief that this result will be attained. From the nature of the case, the demand for rupee currency increases every year; there is no evidence that large quantities of rupees that were formerly hoarded have been thrown into circulation since the mints were closed; the exchange has risen steadily since 1894–95, and the rupee is now actually exchangeable for gold at the rate of 1*s.* 4*d.*; while the demand for additional currency has been so great that over 2,370,000*l.* in gold has been paid to the Indian Treasury for the purchase of silver rupees.

The forces which affect the gold value of the rupee are complicated and obscure in their mode of operation, and we are unable, therefore, to say positively that the mere closing of the mints to silver will, in practice, lead to such a limitation of the rupee currency, relatively to the demands for it, as will make the rupee permanently exchangeable for gold at a fixed rate; but we have no hesitation in repeating the opinion that the experience of the last few years, so far as it goes, indicates that this result is attainable—if, indeed, it has not already been attained.

59. The position of the currency question in India being such as we have explained in the preceding paragraph, we do not consider it necessary to recommend a different policy in the case of that country from that which is found sufficient in France and the United States, by imposing a legal obligation on the Government of India to give gold for rupees, or, in other words, to substitute the former for the latter on the demand of the holders. This obligation would impose on the Government of India a liability to find gold at a moment's notice to an amount which cannot be defined beforehand, and the liability is one which, in our opinion, ought not to be accepted.

Although the Government of India should not, in our opinion, be bound by law to part with its gold in exchange for rupees, or for merely internal purposes, we regard it as the principal use of a gold reserve that it should be freely available for foreign remittances whenever the exchange falls below specie point; and the Government of India should make its gold available for this purpose, when necessary, under such

conditions as the circumstances of the time may render desirable. For example, the Government of India might, if the exchange showed a tendency to fall below specie point, remit to England a portion of the gold which it may hold,—a corresponding reduction being made in the drawings of the Secretary of State; and, when it has accumulated a sufficient gold reserve, and so long as gold is available in its Treasury, it might discharge its obligations in India in gold, instead of in rupees.

60. The exclusive right to coin fresh rupees must remain vested in the Government of India; and, though the existing stock of rupees may suffice for some time, regulations will ultimately be needed for providing such additions to the silver currency as may prove necessary. The Government should continue to give rupees for gold, but fresh rupees should not be coined until the proportion of gold in the currency is found to exceed the requirements of the public. We also recommend that any profit on the coinage of rupees should not be credited to the revenue or held as a portion of the ordinary balance of the Government of India, but should be kept in gold as a special reserve, entirely apart from the Paper Currency reserve and the ordinary Treasury balances.

VII.

The Sterling Rate for the Rupee.

61. We have now to consider the fixed relation which, under a gold standard for India, the rupee should bear to the sovereign. Hitherto we have dealt in general terms with the question of a gold standard, and our recommendations have presupposed a fixed relation, but have not specified the actual rate which should be adopted. We have now to state to your Lordship the conclusions we have reached on this matter.

62. The Government of India proposed in 1892 to close the Indian mints to silver and to pass an Act authorising them to declare gold a legal tender at a rate not exceeding 18*d.* for the rupee. They would not have exercised this power at once, and they would have been guided by circumstances and the experience gained by the closing of the mints in determining what should be the fixed, permanent, legal ratio between the rupee and the sovereign. The rate could not, however, under the law proposed by the Government of India, have exceeded 18*d.* for the rupee, though it might have been lower.

The proposals of the Government of India were generally approved by Lord Herschell's Committee, but the Committee recommended a provisional limit which would prevent the exchange with India from rising materially above 1*s.* 4*d.* for the rupee. The Committee did not recommend that the limit of 1*s.* 4*d.* for the rupee should be the permanent legal ratio between the rupee and the sovereign. It left the question of the permanent legal ratio between the two coins to be decided in the light of subsequent experience. In paragraph 151 of the Committee's Report the following language is used:—

"It would not, of course, be essential to the plan that the ratio should never be fixed "above 1*s.* 4*d.*; circumstances might arise, rendering it proper, and even necessary, "to raise the ratio; and the Indian Government might be empowered to alter it with "the sanction of the Secretary of State. Such a scheme would, indeed, in the first "instance, be tentative, and would not impede further action if circumstances should "render it desirable."

The modifications of the proposals of the Government of India recommended by Lord Herschell's Committee were accepted, the Indian mints were closed to silver, and a provisional arrangement was made for giving rupees in exchange for gold at the rate of 16*d.* for the rupee.

The maximum limit of 18*d.* for the rupee, originally suggested by the Government of India, was not imposed, and the question of the permanent legal ratio can now be considered in the light of what is expedient in the present day, and unfettered by any promises made, or conditions imposed, in the past.

63. In dealing with this question at the present day, it is desirable to have in view an outline of the whole series of facts of exchange, both before and after the closing of the Indian Mints to silver on 26th June 1893. Starting from the year in which

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Germany demonetised silver, the following table shows the average rate per rupee at which Council Bills and Telegraphic Transfers on India were sold in London:

	d.		*d.*
1872–73	22·754	1885–86	18·254
1873–74	22·351	1886–87	17·441
1874–75	22·156	1887–88	16·898
1875–76	21·626	1888–89	16·379
1876–77	20·508	1889–90	16·566
1877–78	20·791	1890–91	18·089
1878–79	19·794	1891–92	16·733
1879–80	19·961	1892–93	14·985
1880–81	19·956	1893–94	14·547
1881–82	19·895	1894–95	13·101
1882–83	19·525	1895–96	13·638
1883–84	19·536	1896–97	14·451
1884–85	19·308	1897–98	15·354

1898–99 - - 15·978*d.*

From these figures it will be observed that, after a fall of about 3*d.* in the first six years, there was comparative stability above 19*d.* for the seven years from 1878–79 to 1884–85; that, apart from the temporary effects of the passing of the Sherman Act in 1890 and the speculation connected therewith, the average rate ranged round $16\frac{1}{2}d.$ in 1887–88, 1888–89, 1889–90, and again in 1891–92; and that, in 1892–93, the average rate had fallen to under 15*d.* It was under these circumstances that, on 31st May 1893, the Herschell Committee, in recommending the closing of the Indian Mints to the public, further recommended that rupees should be coined on tender of gold at the Mints "at a ratio to be fixed in the first instance not much above that now prevailing, say 1*s.* 4*d.* the rupee." They did not propose to go back to the so-called par of 2*s.*; they fixed, provisionally, a maximum limit which was lower by 2*d.* than the limit of 1*s.* 6*d.* proposed by the Government of India. Apart from a momentary rise to 1*s.* $4\frac{1}{32}d.$ for Telegraphic Transfers on 27th June, the Indian Exchange fell steadily away through the second half of 1893 and through the whole of 1894, until on 23rd January 1895 Council Bills were sold at 1*s.* $0\frac{13}{32}d.$ From that date onwards there was, on the whole, a steady and a continuous rise of the exchange, and 16*d.* was regained (after an interval of six years) in the early days of January 1898. From the beginning of 1898 up to the present time, a rate of 16*d.* has practically been maintained without a break, the extreme limits of oscillation for Bills being $15\frac{11}{16}d.$ and $16\frac{1}{8}d.$

64. In the year 1898–99 the total volume of the export trade exceeded that of all past years, amounting to over Rx. 120,000,000 and showed a net surplus over total imports of no less than Rx. 30,000,000. As we have pointed out, this result was achieved with a 16*d.* rate of exchange, and without monetary stringency. We have further pointed out that in the year 1898–99 the Government of India has been able to accumulate a gold reserve of 2,378,609*l.*, which will contribute towards the maintenance of exchange. Moreover, the continuance of existing arrangements, under which no fresh rupees are coined except in exchange for gold at a fixed rate, must tend more and more to establish the exchange at such rate and to ensure the gradual and automatic introduction of a gold currency to supplement, in response to the growing demands of trade, the relatively shrinking stock of rupees.

65. Although the limit of 1*s.* 4*d.* for the rupee was declared to be merely provisional, it has been regarded generally as the permanent rate at which the Indian monetary standard was to be transferred from a silver to a gold basis. There are some who would prefer a lower rate, and there are others who are prepared to accept a higher rate; but it is not desirable, in the absence of any strong reason, to adopt a rate different from that on which calculations have been based, and which has formed the ground of practical action.

We also desire to point out that the rate of 1*s.* 4*d.* is that of the present day; prices in India may be assumed to have adjusted themselves to it, and the adoption of a materially lower rate at the present time would cause a distinct and, in our opinion, a mischievous disturbance of trade and business. The *onus probandi* rests on those who would now propose a different rate. Between the rate of 1*s.* 4*d.* and the rate determined by the bullion value of the rupee, there is no one rate which can be described as natural or normal, rather than any other rate.

66. Various proposals have been made for disturbing the existing rate by the substitution of another rate. It has been proposed to fix the rate at 1*s.* 1½*d.*, 1*s.* 2*d.*, 1*s.* 2$\frac{1}{17}$*d.*, 1*s.* 3*d.*, and 1*s.* 6*d.* All these proposals are arbitrary, and involve a dislocation of the existing ratio between rupee prices and sterling prices. For such disturbance no adequate reasons, in our opinion, have been adduced. In great part these proposals (other than that of 1*s.* 6*d.*) are based on the belief that a lower sterling value of the rupee would cause a rise in rupee prices, benefit the Indian producer, check consumption of foreign goods, and so affect the balance of trade as to promote the importation of gold needed for expanding the volume of currency to an extent commensurate with the rise in the scale of prices.

In our opinion a rise in prices which expresses only the depreciation of the currency is no gain to the community as a whole, and, although the fixing of a lower denomination in sterling for the rupee might for a time give some advantage to producers and induce for a limited period a larger importation of gold than would otherwise take place, this would be at the expense of every holder of a rupee, or debt or security for a fixed amount of rupees; and the taxpayer would again be compelled to provide a larger amount of currency to meet the sterling requirements of the State. It is not by such an expedient as the writing-down of the rupee in sterling that a permanent stimulus can be given to production or to the importation of the standard metal. We see no sufficient reason for altering the existing relations of prices and the essential conditions of contracts expressed in Indian currency, or for reversing the course of exchange and returning to some basis of value which may have prevailed during the interval between the fall and partial recovery in the sterling value of the rupee, and which does not possess elements of permanent stability in a higher degree than the present rate. We are, therefore, of opinion that the permanent rate should be that which has been adopted as the provisional rate in the past, and which is also the market rate of to-day, viz., 1*s.* 4*d.* for the rupee.

67. In recommending a fixed legal rate of 1*s.* 4*d.*, we are not unanimous, though the majority hold the views we have just expressed.

One of our number would not fix the permanent rate at once, but would leave that question to be decided in the light of further experience,—the final rate being fixed either below or above 16*d.*, as further experience might show to be expedient. We are of opinion that any advantage which might arise from this course is more than counterbalanced by the importance of removing doubts as to the future policy of the Government of India, and giving increased confidence to those who are engaged in commercial and financial business in connection with the Indian Empire.

68. Two other Members of the Committee are not prepared to accept the rate of 1*s.* 4*d.*, and recommend that it should be fixed at 1*s.* 3*d.*

It is argued that the rate of 1*s.* 3*d.* will be more favourable to the Indian export trade than 1*s.* 4*d.*; but we have already expressed the opinion that any advantage to the export trade that is gained in this way, is gained at the expense of other members of the community, and is only temporary. If the rate is to be fixed at 1*s.* 3*d.* in order to benefit the Indian exporters and the Indian producer of articles of export, the same argument would justify a further reduction to 1*s.* 2*d.*, and so on, without any limit which we have been able to discover. Nor do we think there are any good grounds for holding that the gold standard cannot be established in India at 1*s.* 4*d.*, while it can be established at 1*s.* 3*d.*

If it is impossible at 1*s.* 4*d.*, it will be impossible at 1*s.* 3*d.*; and we have already dealt in paragraph 66 with the question of the temporary loss and gain to individuals and classes of the community caused by a lowering of the existing rate of exchange. We would add that, if the exchange were now lowered from 1*s.* 4*d.* to 1*s.* 3*d.*, the classes of the community who would gain are those who have already gained through the fall from 2*s.* to 1*s.* 4*d.*, and the classes who would lose are those who have already lost through that fall. Stronger reasons than appear to us to exist would be needed to justify a measure which would have the effect of adding to the gains of the former classes and intensifying the losses of the latter.

It is said that the conditions prevailing in 1893 show that 1*s.* 3*d.* is the rate that should have been adopted at that time. We do not accept this argument, and the conditions have changed since 1893. The rate of 1*s.* 3*d.* may have prevailed shortly before the mints were closed, but the rate of that time was a fluctuating rate. If the mints had been closed some years earlier, and the market rate had been

adopted, the permanent rate would have been considerably higher than 1*s.* 4*d.*; if they had been closed some years later and the same principle had been followed, the permanent rate would have been lower than 1*s.* 3*d.* As we have already said, between the rate of to-day and that determined by the bullion value of the rupee, there is none which can be described as natural or normal; and we can find no good reason for making the permanent rate depend upon the accident of the date on which the Indian mints were closed to silver.

It is true that Lord Herschell's Committee remarked that "to close the mints for "the purpose of raising the value of the rupee is open to much more serious objection "than to do so for the purpose of preventing a further fall;" but an undue stress is laid on these words when they are used as an argument against permanently adopting a rate of 1*s.* 4*d.*, since that Committee actually adopted a provisional rate of 1*s.* 4*d.* and expressly said that circumstances might arise rendering it proper, and even necessary, to raise the rate.

69. We recommend that there should be no change in the existing relation of the rupee to the sovereign. The experience gained since the mints were closed in 1893, and particularly that of the last eighteen months, appears to us to justify the anticipation that the existing rate of 1*s.* 4*d.*, will, with possible temporary fluctuations, due to the course of trade, be maintained in the future.

VIII.

70. In conclusion, we desire to record our opinion that the effective establishment of a gold standard is of paramount importance to the material interests of India. Not only will stability of exchange with the great commercial countries of the world tend to promote her existing trade, but also there is every reason to anticipate that, with the growth of confidence in a stable exchange, capital will be encouraged to flow freely into India for the further development of her great natural resources. For the speedy attainment of this object, it is eminently desirable that the Government of India, with whom it will rest to decide when successive steps should be taken, should husband the resources at their command, exercise a resolute economy, and restrict the growth of their gold obligations.

71. We desire to express our high appreciation of the assistance which Mr. Chalmers has rendered to us throughout the whole course of this inquiry. We feel it to be our duty to recognise in the strongest terms the knowledge, ability, courtesy, and industry which he has displayed and which have greatly facilitated our labours.

HENRY H. FOWLER.
BALFOUR OF BURLEIGH.
*JOHN MUIR.
FRANCIS MOWATT.
D. BARBOUR.
C. H. T. CROSTHWAITE.
ALFRED DENT.
F. C. LE MARCHANT.
E. A. HAMBRO.
W. H. HOLLAND.
*ROBT. CAMPBELL.

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LONDON, S.W.

ROBERT CHALMERS,
Secretary.

* Subject to a reservation as to the ratio to be adopted between gold and the rupee and the points connected with that question in regard to which our views are expressed in the subjoined Note.

Although I am aware that the question of the banking facilities of India was not referred to the Committee, I venture to call special attention to the first part of paragraph 22 where it is pointed out that they have not of late years kept pace with the increasing trade, and, further, to draw attention to the fact that it has been considered wise in Europe to entrust the carrying out of currency laws to banks established or strengthened for that purpose. In my opinion, a strong bank, properly constituted, would be a powerful assistant in giving effect to any regulation having the convertibility of the rupee in view, and that, working under prop currency regulations, such a bank would be likely to carry them out in a m effective way, and in a manner more in harmony with the trade wants of t country, than any Government Department, however well administered, could possibly do.

I venture to call attention to this point because I believe that the success of the recommendations of the Committee, if adopted, will very much depend on the banking wants of the country being assisted in times of pressure, and curtailed in times of slackness; and this, in my opinion, could only be done by the establishment of some institution having ample facilities at its disposal, and framed on somewhat similar lines to those of either the Bank of England or the Bank of France.

E. A. HAMBRO.

Since the Committee was appointed, the condition of the money market in India has so greatly improved that the immediate settlement of the currency question has, in my opinion, become less urgent than it was in the spring of 1898.

Under existing conditions, gold is not—in form—a legal tender in India; yet, for all practical purposes, the sovereign is now a legal tender for 15 rupees, because the holder of a sovereign can obtain for it 15 rupees at the Government Treasury, and these 15 rupees constitute a legal tender. To make the sovereign a legal tender at the rate of 15 rupees, is therefore only a change in form and not in substance, and will neither strengthen exchange, nor be likely to lead to a greater import of gold into India.

It may be that further experience will show the balance of advantage to lie with a lower exchange than 1*s.* 4*d.*; or, on the contrary, circumstances might conceivably arise (*e.g.*, silver legislation in the United States) which would necessitate a higher rate. In view of these possibilities, and of the fact that the existing monetary conditions of India are not, in my judgment, producing any serious evils, I am of opinion that no action should be taken at the present time, in the direction of finally settling the rate between the sovereign and the rupee; but that the question should be left to be decided in the fuller light which would be afforded by further experience.

Subject to these remarks, I am in general accord with the principles of the Report.

W. H. HOLLAND.

We do not admit that the experience of the last six years justifies the adoption of a 1*s.* 4*d.* ratio. For five years after the closing of the mints exchange never effectively reached that level in the sense of bringing gold to the currency; and, while giving due weight to the fact that during the last six months the Currency Department has received a considerable amount of gold, we cannot agree that a single year of unprecedentedly large exports, arising from exceptional causes, is a sufficient basis for assuming that this will continue to the extent necessary for India's currency requirements. The great rise in the price of wheat in April/June of last year increased the Indian exports of that article to Rx. 9,720,333, as compared with Rx. 1,341,151 in 1897–98 and an average of Rx. 2,750,137 in the five years 1893–94 to 1897–98 inclusive. The exports of rice were also Rx. 3,500,000 above the average of the previous five years. But for these exceptional causes, last year's total exports would not have been unusually large, and it may be questioned whether gold would have found its way to India as currency in any quantity.

A review of the circumstances which accompanied the closing of the mints, is sufficient to show that the violent disturbances which unsettled exchange for several years, were mainly due to the arbitrary enhancement of the rupee to 1*s.* 4*d.* On 31st

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May 1893, the date of the Herschell Committee's Report, exchange stood at 1*s.* 2$\frac{5}{16}$*d.* It will be remembered that although the Report was not made public till the 26th June, the day the mints were closed, its purport became known to a group of speculators almost as soon as it was signed (a correct summary was published in a continental newspaper on the 7th June). This led to immense speculation in exchange and rupee paper, in connection with which unusually large remittances were made to India. Between the 31st May and the 6th June no less than Rx. 3,780,000 Council bills were sold and in addition 1,180,000*l.* of bar silver was shipped. It was then believed that the closing of the mints would establish a 1*s.* 4*d.* rate, and consequently there was a strong movement to remit money out at anything under it. Exchange touched 1*s.* 4*d.* for a day on the 27th June, but it soon became apparent that the rise had been overdone, and the downward movement which followed, assisted by the plethora of money arising from the above operations, carried exchange as much below its level as it had previously been forced above it. Had a 1*s.* 3*d.* rate been adopted, these wide fluctuations would not have taken place; and we believe the market would have settled down to it without much difficulty, that gold would have gone to India as currency to a fair extent in 1896-97 if not earlier, and to a larger extent in 1897–98, and that the intense monetary stringency of these two seasons would have been avoided.

When exchange began to advance after touching its lowest point on the 23rd January, 1895, it gradually recovered without any pressure on the money market till 1*s.* 3*d.* was reached in November 1896. The Presidency Banks' rates were then 6 to 8 per cent., the latter being the highest rate touched during the period in question. It was only when exchange began to rise above 1*s.* 3*d.* that stringency was experienced; and that the raising of the rate by the additional penny required to bring relief in the shape of gold, became a difficult process accompanied by extreme monetary pressure.

These considerations appear to us to point to 1*s.* 3*d.* as the ratio which should be adopted rather than a forced ratio of 1*s.* 4*d.*

The advocates of a 1*s.* 4*d.* ratio point to the fact that this rate has now been, more or less, effective for the last 18 months, thereby establishing a *status quo* which it would be unwise to disturb. This argument would have greater weight if the *status quo* had been arrived at in a natural way; but the circumstances under which it was reached have only to be considered to deprive it of any value. With no fresh currency otherwise obtainable, the monopoly rupee was bound in time to rise to whatever gold point the Indian Government chose to fix, and the fact of its having risen in five years to 1*s.* 4*d.* is of itself no more a proof that 1*s.* 4*d.* is an equitable ratio than it would be in regard to 1*s.* 6*d.* or 1*s.* 8*d.*, which could equally be reached in course of time. To arrive at a rate in this manner and then point to the accomplished fact as disposing of any question of its propriety is not convincing, especially if there is reason to believe that a rupee so greatly enhanced is calculated to have an injurious effect on the country's interests and to retard or even jeopardise the success of the gold standard.

We approve of the principle that India should be allowed to acquire the necessary gold by means of the trade balance in her favour. But to enable her to do so, anything calculated to injure that balance should be avoided. This is equally imperative on the ground that it is on the trade balance that India also depends for the power to meet her foreign obligations; and the rate of exchange, or the ratio fixed between gold and the rupee, is of the greatest importance in its bearing on her ability to maintain a balance of exports over imports, sufficient to meet both these requirements.

The Committee have obtained a great deal of evidence as to the effect of exchange on trade, and, although opinions differ, this at least is undoubted, that the rate of exchange has a direct influence on the rupee prices of articles of export and import. A lower exchange gives the Indian exporter a higher rupee price for his produce, without raising the gold price to the foreign buyer, while compelling an importer of foreign goods to exact a higher rupee price to cover his gold outlay. A higher exchange on the other hand lowers the rupee price of native produce, while enabling the foreign importer to sell his goods cheaper. An appreciated exchange through its action on prices has thus a double effect on the trade balance, by checking exports and stimulating imports. And that this is not of the temporary character which some maintain is shown in India's opium trade with China.

Owing to the closing of the mints, China exchange on India has fallen from about 306 rupees per 100 taels in 1892–3 to the present level of about 204 rupees, it has been

even lower; thus necessitating a higher price for opium in China to give the Indian exporter the same rupee return. Viewed in this light, the course of the trade is instructive.

There has been an advance in the tael price in Shanghai from an average (Patna, Benares, and Malwa together) of about 397 taels per picul in 1892 to 556 taels in 1897, notwithstanding which the price in India has fallen from an average of about Rs. 1,202 per chest in the former year to about Rs. 1,114 in the latter, while Indian exports have diminished from 75,384 chests in 1892–3 to 56,069 chests in 1897–98.* We thus see the effect of the enhanced rupee in a falling off in the Indian exports and a lower rupee price, —the rise in the tael price, large as it is, not having gone far enough (being checked by the stimulus given to Chinese native competition) to enable India to export to the same advantage in face of the adverse exchange. Looked at from China's point of view, the effect of the fall in the tael exchange in checking imports into China is equally apparent, and the truth of the principle that a rise in exchange checks exports and stimulates imports, while a fall has the contrary effect, is thus shown in the trade of both countries. In the Budget Statement of March 1899, paragraph 166, the Finance Minister makes the following comment in his remarks on opium:—"The growing "competition of the China drug has prevented the price in China from rising in "proportion to the increased value of the rupee due to the currency legislation of "1893." For "increased value of the rupee" read "fall in the China exchange on India," and there could not be a clearer confirmation of the effect of the enhancement of the rupee on India's opium trade. It must be added that the export of opium to China increased last year to 67,128 chests, which is explained in the same paragraph to be "largely due to a scanty crop in China."

* These figures are taken from the "Financial and Commercial Statistics," up to the end of 1897, published by the Government of India. The volume embracing 1898 is not yet issued.

The opium trade has been described as a dwindling trade at the best, but it is impossible to doubt that the falling off in the last six years is largely due to the enhanced rupee.

Another branch of India's trade with the Far East—her exports of cotton, cotton yarn, and goods—is also exposed to a danger which it would be unwise to aggravate by pushing the enhancement of the rupee too far. Within the last few years an important cotton mill industry has sprung up in China and Japan for the supply of their home markets, although the effect on India has scarcely yet had time to manifest itself for two reasons,—first, that Japan uses Indian cotton largely in her mills, which, so far, places her products on a level with those of India,* and, secondly, because the China mills only came into operation in the end of 1896 (Q. 12, 493), so that the industry is still in its infancy. The conditions, however, which have assisted the competition of China-grown against Indian opium may in time be equally effective in regard to cotton. There are indications that the cultivation of cotton is extending (Consular Report, p. 57, Vol. II.), and, if Japan should find it more advantageous to buy her cotton in China, a serious blow may in time be dealt to another branch of India's export trade.

* Although Japan is on a gold basis, it is at a ratio equivalent to 11¼*d.* per rupee as compared with India's 1*s.* 4*d.*

We do not ignore the evidence as to the appreciation of copper cash, which as the usual wage-paying medium in China must largely govern the cost of production. We are told (Q. 8,250–2) that it has appreciated in relation to silver about 15 per cent. in the last five or six years. This represents less than half the fall in the China exchange, so that a modification of the present enhancement of the rupee is still necessary to put India on fair terms of competition with China.

India's disadvantage is not less real in her competition with silver standard countries for the export trade to neutral markets. As regards tea, China with her dollar at its bullion value will be greatly assisted by an enhanced rupee in her endeavours to recover her former predominant position. Although her exports of tea to the United Kingdom are now comparatively small, her total exports amounted to 205,000,000 lbs. last year. Her productive power is, therefore, by no means crippled, and it would be a mistake to think that India can afford to disregard her competition.

In principle, the effect of an enhanced rupee equally applies to India's trade with gold standard countries, although as sterling exchange has never fallen to the silver bullion point it may be less marked.

Without going so low as that point or even the lowest rate touched since 1893, the arbitrary enhancement of the rupee has been considerable, and the step taken last year went a good deal beyond merely checking a further fall. Referring to the [illegible] of

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the Herschell Committee, we find that, after discussing at some length the probable effect on Indian trade of a rupee divorced from its bullion value, they arrive at the following important statement in paragraph 135:—"It is impossible, in view of these "considerations, not to come to the conclusion that to close the mints for the purpose "of raising the value of the rupee is open to much more serious objections than to do "so for the purpose of preventing a further fall." The value of the rupee on the 31st May 1893, the date of the Committee's Report, was 1*s.* 2$\frac{5}{8}$*d.*, and it is difficult to reconcile the above declaration with their conclusion recommending a ratio of 1*s.* 4*d.*, or more than 9 per cent higher. Even applying the expression "preventing a further fall" to the date of their appointment, the 21st October 1892, the rate of exchange then was 1*s.* 3·06*d.*, on which 1*s.* 4*d.* represents an enhancement of 6 per cent.

As to the compensating adjustments which are said to make up to the producer for the smaller rupee price he has to accept for his produce in consequence of a higher exchange, we are unable to see where they are to come from—they have not yet been arrived at in the case of opium. The evidence shows (Q. 9612–6) that wages in India, that is cost of production, have not fallen since the rupee was at 12$\frac{1}{2}$*d.* four-and-a-half years ago, nor does it appear that any fall is likely, even if such a thing were desirable, so that there is no compensation to be looked for in that direction, nor do we think it can be expected from a rise in the sterling prices of those articles in which India competes with other countries. Indian wheat, for instance, has to compete in the European markets with the wheat of Europe, the United States, Canada, Argentina, &c., and forming but a small proportion of the total supply can have an equally small influence in determining movements in the price. If a rise in the sterling exchange renders it necessary that India should get a higher price for wheat in England to give her the same rupee return, is it likely that the holding back for a higher price of a few thousand tons of Indian wheat will have any appreciable effect in that direction while the home supplies and the imports from these other countries are pouring in as usual? Any attempt to establish a rise for India's benefit would at once be swamped by increased supplies from other quarters. The market will not concern itself with the larger or smaller rupee out-turn realised by the Indian grower, who will either have to take the current price or do without; and the lower rupee price caused by the higher exchange must therefore represent a loss to the producer.

It is on this aspect of the question that we base our strongest objection to the 1*s.* 4*d.* ratio,—its effect as an unfair tax on native production while conferring a bounty on imported goods. It is not a sufficient reply to this to say that, as imports are paid for by exports, the gain and loss to the community are equal. This is evident when we consider that the native producer is the class which loses, while the class which gains is the consumer of imported goods. It can never be sound policy to handicap native industry while giving a bounty to foreign imports, and in the case of India with large foreign obligations, which can only be met by surplus exports of produce, it would be a fatal course to pursue. But beyond the effect on exports and imports so far as they balance each other, it still remains that with a 1*s.* 4*d.* exchange the cost of providing at Rs. 15 each the 17 million sovereigns annually required for the home charges is a tax which falls entirely on the producer. The more the rupee is enhanced—the lower the sovereign is valued in rupees—the more cheaply can the Government make its annual remittances. But this advantage is not obtained without being paid for, and the question who pays is not difficult to answer;—it is the producer, who has to accept so many fewer rupees for the produce he has to sell. If with a 1*s.* 4*d.* exchange the holder of a sovereign can only get Rs. 15 for it, he cannot afford to pay so many rupees for a ton of Indian produce as if with exchange at 1*s.* 3*d.* he could convert his sovereign into Rs. 16. To deny that arbitrary enhancement of the currency is a tax, and to argue that the producer is no worse off in the long run, that wages and other charges must in time adjust themselves to its altered value, is to maintain the dangerous principle that the Government may lighten its liabilities without injury to anybody by a step of this kind. Such a step is undoubtedly a tax on production, and if the Government plead that in the absence of any other available source of revenue trade must bear it, it is unwise to throw the whole of it on one side of trade, the side which it is least expedient to tax, and to penalise production while giving a bounty to foreign imports. The present duty on imports does not counterbalance the bounty conferred by a 1*s.* 4*d.* exchange, and the burden would be more equitably adjusted by reducing the ratio to 1*s.* 3*d.* In addition to its beneficial effect on trade this would relieve production by about 6$\frac{1}{4}$ per cent., while depriving foreign competition of a corresponding bounty, and last year's favourable Budget gives ground for the hope

that the additional cost to the Government would be made good out of existing sources of revenue.

The ratio is still an open question. In his speech introducing the Act of 1893, Sir David Barbour stated that it was left open to be decided by the light of future experience. The Government, therefore, are not committed to 1*s.* 4*d.*, they are perfectly free to alter the ratio now without exposing themselves to any charge of weakness or breach of faith. The desirability of adhering to existing conditions should not be allowed to weigh at the present stage. Whatever objections there may be to altering the ratio now, they are trifling in comparison with what will be experienced later, should the present ratio not be found practicable. To amend the ratio now would only be to act on the reservation made in 1893, to do so later, after having formally adopted 1*s.* 4*d.* would be a much more serious matter.

The test of a proper ratio is not merely that it should enable the Council Bills to be absorbed, or even its power to attract gold in an exceptionally prosperous year. It should be such as to do so in normal times sufficiently to provide for any drain occasioned by an exceptional adverse season, and to allow gold to gradually accumulate and supplement silver in the currency. To aim at a ratio which would fail to accomplish this for the sake of getting a high price for the Council Bills, would be to starve the currency, injure trade, and invite an ultimate breakdown. As India is debarred from obtaining any fresh silver currency, no difficulty should be placed in the way of her requirements being satisfied by gold. The ratio adopted should, therefore, be one which will encourage the free inflow of gold rather than one which, even if it might attract some gold in a year of unusually large exports, would fail to do so in ordinary times. In the one case Indian trade would have the advantage of a full supply of currency and easy rates of interest; in the other it would be continually harassed by monetary stringency and by a lame and inefficient currency system which would, sooner or later, prove a failure.

The success or otherwise of the gold standard will largely depend on the rupee value put upon the sovereign. The higher the rupee is raised above its bullion value, the more difficult will the establishment of the gold standard become. On the value put upon the sovereign will depend not only the extent to which gold is brought into the currency, but also how far it will be allowed to remain in circulation, or will disappear, driven out by the over-valued rupee. It is significant that, of the immense amount of gold held in India, practically none has been tendered to the Currency Department, even during periods of extreme monetary pressure. What has been acquired has, with a trifling exception, been imported gold.* This is not reassuring as to the result when gold is made legal tender and a sovereign and Rs. 15 are supposed to be mutually interchangeable. India is a large consumer of gold, and to undervalue it in relation to the rupee will have the effect, not only of discouraging its tender to the Mint, but of encouraging the market to supply itself by withdrawals from the currency. The successful establishment of a gold standard will not be promoted by insisting on getting gold too cheap.

* Of Rx. 3,430,000 received by the Currency Department up to 19th June last, only Rx. 42,500 in Bombay and a trifling amount in Calcutta came from gold held in India; the balance was all imported.

Going back to 1893, the conditions then prevailing clearly pointed to 1*s.* 3*d.* as the ratio which should have been adopted then; and we can see nothing in subsequent experience to justify the belief that 1*s.* 4*d.* is the more suitable ratio now. On the contrary, we consider 1*s.* 4*d.* an extreme ratio, which imposes too severe a tax on production, and is calculated to injure the trade balance necessary for India's solvency, and that the corresponding ratio, of Rs. 15 per sovereign, by putting too low a value on gold, will tend to prevent its going into or remaining in circulation, and thereby endanger the success of the gold standard.

We believe 1*s.* 3*d.*, or Rs. 16 for a sovereign, to be a ratio which would not be injurious to India's interests, and under which she would be able to acquire by trade influences the gold necessary to make the gold standard effective. We therefore recommend that the ratio should be altered from 1*s.* 4*d.* to 1*s.* 3*d.*, or to Rs. 16 per sovereign, instead of Rs. 15.

In making this recommendation, we cannot be regarded as advocating a depreciated currency, in the true sense of the phrase. We are a long way from the point at which the term depreciation would be appropriate;—the rupee at 1*s.* 4*d.* is, on the contrary, immensely appreciated, and in urging a change to 1*s.* 3*d.* we are only seeking to correct what we consider to be an excessive, arbitrary enhancement.

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Sterling borrowing in order to acquire gold is so prominent a feature of the Government of India's proposals and of other schemes which have been put before the Committee, that we consider it desirable that the principle of borrowing for such a purpose should be thoroughly examined.

Sterling borrowing is in itself objectionable on the ground that it aggravates the exchange difficulty by permanently increasing the home charges, but there are special reasons besides against borrowing for the purpose of establishing and maintaining a gold standard. If India is unable to acquire gold except by borrowing, that alone would go far to prove her unfitness for a gold standard and her inability to retain gold so acquired. Gold attracted to the currency by trade influences might reasonably be expected to remain in circulation, but there could be no certainty that gold brought in by borrowing would do so; the presumption would be rather the other way, because, short of withdrawing rupees to make room for it (a proposal which has been universally condemned), it is difficult to see how borrowed gold could be introduced into the circulation without creating monetary conditions which would drive it back to England again.

If, however, as we believe, India is able to obtain the necessary gold by means of the trade balance in her favour in the same way as she formerly obtained her silver currency, why should the expensive and objectionable method of borrowing be resorted to? The only advantage of borrowing would be to hasten convertibility, an advantage which would be gained at the expense of any assurance of ultimate success, or any certainty that the borrowed gold would not begin to disappear as soon as convertibility was attempted, while the disturbing influence on the Indian money markets of bringing in large amounts of borrowed gold would not be wholesome. A measure on the other hand under which gold would flow to India gradually as trade and currency requirements dictated, even if it took several years to introduce into the circulation sufficient to make the standard fully effective, would carry with it a confidence which could never be inspired by the sight of gold forced in by artificial means, while the automatic supply of currency as from time to time required would keep the money markets from either undue plethora or stringency.

Italy furnishes a practical illustration of the result of attempting to establish a gold standard by means of borrowed gold. The Italian Government obtained by sterling loans a large amount of gold for that purpose, but they have not succeeded in their endeavour. They dare not allow the gold they borrowed to go into circulation, because it would at once be exported. At the present rate of Italian exchange the gold, if obtainable, would give a profit of 6 to 7 per cent. to send abroad, and, with the foreign exchange so much above the gold point, the gold standard has disappeared.

A further objection to forcing gold into the currency by borrowing, is the effect it would have in obscuring the proper ratio between gold and the rupee, the ratio at which a gold currency would be practicable, and the mischievous effect it might have in enforcing for the time a ratio which without the continued support of borrowed gold might prove to be unworkable and would therefore ultimately break down. With 120 crores of rupees in circulation, which must continue to be unlimited legal tender for years to come, the change from a silver to a gold standard is not the simple question of raising so much gold and putting it into circulation at any arbitrary ratio to the rupee which may be chosen. The lower gold is valued in relation to the rupee, the greater will be the difficulty of keeping it in circulation and the greater the danger of the under-valued gold disappearing, leaving the sterling debt as the only lasting result of the operation. A gold standard and currency can only be established and maintained on conditions which will permit of gold flowing freely to India in obedience to trade requirements, and any measure which attempts to override these conditions and force gold in by artificial means will break down sooner or later.

For these reasons we are opposed to sterling borrowing, whether for the establishment or the maintenance of a gold standard. Borrowing to support the standard once resorted to, it would be impossible to know when to stop, and the only safe course is not to begin. It is on trade support that the maintenance of the gold standard must in the long run depend, and any saving of delay through borrowing would not be worth the risk of finding, after having incurred a load of sterling debt with its consequent addition to the home charges, that an impracticable scheme had been pursued which when left to its own merits would break down.

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